MANSION INTERNATIONAL HOLDINGS LIMITED
民信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8456

ANNUAL REPORT 2017/18

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Fung Sau Ying
(Chairlady and Chief Executive Officer)
Mr. Cheung Desmond Lap Wai
(Chief Operating Officer)
Ms. Ho Lai Ying

Non-executive Director

Ms. Luk Sau Kuen

Independent Non-executive Directors

Mr. Choi Wing San Wilson
Mr. Cheung Ping Kwan Timothy
Mr. Leung Wai Yin

BOARD COMMITTEES

Audit Committee

Mr. Leung Wai Yin *(Chairman)*
Ms. Luk Sau Kuen
Mr. Cheung Ping Kwan Timothy

Remuneration Committee

Mr. Choi Wing San Wilson *(Chairman)*
Ms. Luk Sau Kuen
Mr. Leung Wai Yin

Nomination Committee

Ms. Fung Sau Ying *(Chairlady)*
Mr. Cheung Desmond Lap Wai
Mr. Choi Wing San Wilson
Mr. Cheung Ping Kwan Timothy
Mr. Leung Wai Yin

COMPLIANCE OFFICER

Mr. Cheung Desmond Lap Wai

COMPANY SECRETARY

Mr. Cho Yee Chun *(resigned on 26 May 2018)*
Mr. Kwok Siu Man *(appointed on 26 May 2018)*

AUTHORISED REPRESENTATIVES

Mr. Cheung Desmond Lap Wai
Mr. Cho Yee Chun *(resigned on 26 May 2018)*
Mr. Kwok Siu Man *(appointed on 26 May 2018)*

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

Alliance Capital Partners Limited

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon,
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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REGISTERED OFFICE

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PRINCIPAL BANKER

DBS Bank Limited

COMPANY WEBSITE

www.mansionintl.com

STOCK CODE

8456

Dear Shareholders,

On behalf of the board of directors (the "**Directors**") of Mansion International Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), I am pleased to present the audited consolidated results of the Group for the year ended 31 March 2018 ("**FY2018**") to our shareholders and investors.

The Group had experienced a tough year for FY2018. While the decrease in gross profit in FY2018 is controlled at a minimal rate of approximately 3.7% from approximately HK$126.1 million for financial year ended 31 March 2017 ("**FY2017**") to approximately HK$121.4 million in FY2018, the revenue of the Group decreased by approximately 20.9% as compared to that for the FY2017. The profit before tax (as adjusted by excluding the impact of the one-off listing expenses) for FY2018 decreased by approximately 2.5% as compared to FY2017, while the profit after tax (as adjusted by excluding the impact of the one-off listing expenses) for FY2018 decreased by approximately 11.1% as compared to FY2017.

As disclosed in the prospectus of the Group dated 12 January 2018 (the "**Prospectus**") and the quarterly report of our Company dated 9 February 2018, our OEM business has declined due to the transition to our strategy to sell to customers with smaller order quantities but higher profit margin and the trend of the deteriorating sales performance of local mass markets in UK and US as affected by the global economic environment, resulting in our OEM customers being conservative and delaying in placing orders. In particular, the closure of stores of ToysRus in the US hurt our sales, especially in the US mass market, as it was one of the major sales outlets for our US customers. As the sales channels of our major customers shrank while the other market players have yet to pickup, this in turn affected the overall sales of our customers, and thus our OEM business. This trend tends to extend to the first quarter of the financial year 2018/2019. However, our management remains positive for our business prospects and predict the overall environment will be recovering by the end of this financial year.

Despite the challenges we have been facing due to the external factors, the management team is committed to strengthen the relationships with our current customers and will continue to find new customers to diversify our customer base, such as customers from Australia and Europe, and there are certain new customers which started to place OEM orders steadily. The management considered the strategy functioning on the right direction, as evidenced by the further increase in the Group's gross profit margin to approximately 45.7% in FY2018, as compared to approximately 37.6% in FY2017. The management will continue to secure new orders and customers. The management expects there would be a better control of costing, thus enhancing the profit margin. We have also started to develop our ODM business further to the request from certain existing OEM customers. As we strengthen our team in research and development, we are able to provide open options on products and designs for our customers for their own brands, which in turn, increases our capability and competitiveness in obtaining new orders from the market.

For our OBM Business, the stable growth was mainly contributed by the close monitor of the expansion of our retail stores. Besides, various marketing campaigns were successfully launched to promote the awareness of our brand in the community. The group expects to further strengthen our research and development in the People's Republic of China (the "**PRC**") market in order to bring about a big leap forward in the growth of our OBM business.

Despite the challenging global environment, I am confident that our strong and dynamic management team will lead the Group to a brighter future. We will pay more attention to improve the Group's performance to maximize returns for our shareholders and investors.

I wish to take this opportunity to express our gratitude for the support from our business partners and customers over the years. I would also like to thank our dedicated management and staff for their contributions to the Group.

Chairlady
Fung Sau Ying

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The performance of the group for FY2018 was greatly affected by the deteriorating global economic environment of FY2018. Our OEM business customers were conservative and had been delaying in placing orders. The impact was worsened by the liquidation of ToysRus as it was one of the major sales outlets of our US customers. However, the group managed to control the decrease in gross profit in FY2018 at a minimal rate with its persistency in consolidating the relationship with our current customers and in finding new customers to diversify the customer base. Though the downtrend is extending to the first quarter of FY2019, we foresee the overall economic situation will be picking up in the coming quarters which will encourage growth and development. Business will become stable with our effort in strengthening our research and development team to increase our capabilities in acquiring new orders and build up our ODM business. Better cost control will also enhance our future performance.

For our OBM Business, competition is still keen but as we cautiously monitor the expansion of our retail stores and reinforce our marketing effort in promoting our brand and strengthening our customer relationship, we have managed to record a stable growth. Moreover, we will further strengthen our comprehension and presence in the PRC market which we expect will bring further growth to our OBM business.

FINANCIAL REVIEW

Revenue

Our Group's revenue declined from approximately HK$335.8 million for FY2017 to approximately HK$265.8 million for FY2018, representing a decrease of approximately 20.9%. The revenue of OEM Business decreased by approximately 29.3% to approximately HK$181.2 million for FY2018 as compared to FY2017. The revenue from the OBM Business increased by approximately 6.1% to approximately HK$84.6 million for FY2018 as compared to FY2017.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our Group decreased from approximately HK$209.7 million for FY2017 to approximately HK$144.3 million for FY2018, representing a decrease of 31.2%.

The decrease was due to the decrease in quantity of products sold resulting from the conservative attitude of our customers and their delay in placing orders as described in the section headed "Outlook" in the Third Quarterly Report and the cost control measures introduced in the manufacturing process.

Our gross profit for FY2018 amounted to approximately HK$121.4 million (FY2017: approximately HK$126.1 million), representing a decrease of approximately HK$4.7 million or 3.7% as compared to the corresponding year in 2017. The gross profit margin of our Group improved from approximately 37.6% for FY2017 to approximately 45.7% for FY2018. Such significantly small magnitude of decrease in gross profit as compared to the decease in revenue was the result of strategies adopted as described in the Prospectus. This also explains the increase in gross profit margin.

Expenses

The selling and distribution costs of our Group amounted to approximately HK$40.8 million for FY2018 (FY2017: approximately HK$42.1 million), representing a decrease of approximately 2.9% or HK$1.3 million compared to the corresponding year in 2017. The administrative and other expenses of our Group amounted to approximately HK$65.0 million for FY2018 (FY2017: approximately HK$70.6 million), representing a decrease of approximately 7.9% or HK$5.6 million compared to the corresponding year in 2017. The decrease was consequential to the decrease in revenue and our Group's cost controlling effort.

Profit before income tax expense

Excluding the non-recurring listing expenses of approximately HK$15.3 million incurred during FY2018 (FY2017: approximately HK$2.1 million), our Group would have recorded a profit before income tax expenses of approximately HK$14.0 million for FY2018 (FY2017: approximately HK$14.4 million), representing a decrease of 2.5%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our Group's source of funds was mainly cash generated from operations. As at 31 March 2018, our Group had cash and bank balances of approximately HK$21.8 million (31 March 2017: approximately HK$26.7 million). As at 31 March 2018, our Group's interest-bearing borrowings amounted to approximately HK$50.2 million (31 March 2017: approximately HK$36.1 million) and had unutilised bank facility approximately HK$57.5 million (2017: approximately HK$95.3 million).

The current ratio was 1.4 as at 31 March 2018 (31 March 2017: 1.2) and the gearing ratio was approximately 58.5% as at 31 March 2018 (31 March 2017: approximately 108.4%).

Note: Current ratio is calculated as the current assets divided by current liabilities. Gearing ratio is calculated as the total debt (the bank borrowings, amount due to a related company, loan from a shareholder and finance lease liabilities) divided by total equity.

Our Group did not use any financial instruments for hedging purposes (FY2017: Nil).

As at 31 March 2018, the share capital and equity attributable to the owners of the Company amounted to approximately HK$4.0 million and HK$82.1 million respectively (31 March 2017: HK$8,000 and HK$44.3 million respectively). Details of the capital risk management are set out in the Note 40 to the consolidated financial statements of the Group for FY2018 (the "**Consolidated Financial Statements**").

CAPITAL COMMITMENTS

Our Group did not have any significant capital commitments as at 31 March 2018 (31 March 2017: Nil).

CHARGE OVER ASSETS OF THE GROUP

In January 2018, our Group entered into a life insurance policy with an insurance company to insure against the risk of loss of key management of our Group for the benefit of the Group. Under this policy, the beneficiary and policy holder are a subsidiary of our Group. As at 31 March 2018, our Group had pledged the insurance premium to secure bank facilities granted to the subsidiary of our Group. (31 March 2017: Nil).

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS, AND PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

There were no material acquisitions and disposals of subsidiaries companies during FY2018. There is no future plan for material investments or capital assets as at 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, our Group had no material contingent liabilities (31 March 2017: Nil).

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the listing of the shares of our Company (the "**Shares**") by way of share offer on GEM of the Stock Exchange (the "**Share Offer**"), were approximately HK$44.0 million. As at 31 March 2018, our Group had utilised approximately HK$4.5 million of the net proceeds from the share offer to repay certain bank loans in a one-off manner. The upgrade of our production facilities through application of RFID technology are in progress.

During FY2018, our Group had applied the net proceeds as follows:

	Per prospectus Use of proceeds HK$ million	Actual utilized Up to 31 March 2018 HK$ million
Upgrading our production facilities and enhancing the production capability through extensive application of RFID technology	2.0	0.0
Repayment of bank loan(s)	4.5	4.5
Working Capital	3.5	3.5
Total	**10.0**	**8.0**

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, our Group had about 1022 employees (2017: 1106) working in Hong Kong and the PRC.

As the guiding principles, our Group uses its best endeavour offering the most competitive compensation to our employees, and treats all of our staffs equally and fairly. Our Group provides a safe and equal-working environment.

Our employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. Our employees are entitled to Mandatory Provident Fund ("**MPF**"), medical insurance and statutory holidays. Our Group rewards employees with competitive remuneration including salaries, allowance and performance bonus.

RETIREMENT BENEFITS PLANS

Our Group participates in MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "**Pension Scheme**") for all qualifying employees employed. Our Group offered various social insurance benefits and provident fund to the PRC staff during the reporting period and created a harmonious working environment.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Fung Sau Ying (馮秀英), aged 60. She was appointed as our Director on 17 May 2017 and was re-designated as our executive Director (the "**ED**") on 6 July 2017. Ms Fung is mainly responsible for formulating the overall development strategies and business plans, including production development, and overseeing the general management and daily operation of our Group. Ms. Fung has over 23 years of experience in manufacturing, trading, and retailing of baby clothing and clothing accessories of infants and toddlers. Ms. Fung obtained a Bachelor of Science degree in Atmospheric Science from the National Taiwan University in Taiwan in June 1983. Ms. Fung was elected CEO Member of the CEO Club of the Institute for Enterprise of the Hong Kong Polytechnic University in Hong Kong in April 2006. Ms. Fung was appointed the honorary chairperson of the fifth committee of Zhongshan Huangpuzhen Federation of Returned Overseas Chinese in December 2013. Ms Fung is an aunt of Mr. Cheung Desmond Lap Wai, our ED and chief operating officer (the "**COO**").

Mr. Cheung Desmond Lap Wai (張立維), aged 35, was appointed as our Director on 17 May 2017 and was re-designated as our ED and appointed as our COO on 6 July 2017. Mr. Cheung is mainly responsible for overseeing the financial and accounting, human resources and administrative matters as well as the OBM business of our Group. Mr Cheung has over nine years of experience in business development and sales and marketing. Mr. Cheung obtained a Bachelor of Arts degree in Computer Science from the University of California, Berkeley in California, US in December 2004 and a Master of Science degree in Software Management from the Carnegie Mellon University in Pittsburgh, Pennsylvania, US in August 2010. Mr. Cheung also obtained a Master of Business Administration degree from the Chinese University of Hong Kong in Hong Kong in November 2016. Mr. Cheung was selected for membership in Beta Gamma Sigma the international honour society for collegiate schools of business under The Chinese University of Hong Kong in Hong Kong in November 2016. Mr. Cheung is a nephew of Ms. Fung, our chairlady, chief executive officer and ED.

Ms Ho Lai Ying (何麗英), aged 49, was appointed as our Director on 17 May 2017 and was re-designated as our ED on 6 July 2017. Ms. Ho is mainly responsible for overseeing the OEM business of our Group. Ms Ho has over 20 years of experience in merchandising. Prior to joining our Group, Ms. Ho worked in UCP International Co., Ltd., a company with business including wholesale distribution of home furnishings and housewares from July 1995 to March 1997 as a merchandiser. Ms. Ho obtained a Bachelor of Business Administration degree in Applied Economics from the Hong Kong Baptist College (now known as the Hong Kong Baptist University) in Hong Kong in December 1992.

NON-EXECUTIVE DIRECTOR

Ms. Luk Sau Kuen (陸秀娟), aged 58, was appointed as our Director and re-designated as our non-executive Director on 6 July 2017. Ms. Luk is responsible for advising the corporate image, social responsibility and management philosophy of our OBM business. Ms. Luk obtained a Bachelor of Social Sciences degree from the University of Hong Kong in Hong Kong in November 1981, a Master of Philosophy from the University of Hong Kong in Hong Kong in January 1995, and a Master of Education from The Chinese University of Hong Kong in Hong Kong in December 2002. Ms. Luk also obtained a Certificate in Teaching Putonghua from The Chinese University of Hong Kong in Hong Kong in August 1993. Prior to joining our Group, Ms. Luk worked at the Hong Kong Independent Commission Against Corruption as commission against corruption officer in the community relations department from 1981 to 1987. From 1991 to 1992, Ms. Luk worked at the Carmel Alison Lam Foundation Secondary School in Hong Kong as a graduate teacher. From 1995 to 2001, Ms. Luk was a language instructor at the Hong Kong Baptist University in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Wing San Wilson (蔡永新), aged 44, was appointed as our independent non-executive Director (the "**INED**") on 28 December 2017 and is mainly responsible for the supervision and provision of independent judgement to our Board. From 1997 to 2003, Mr. Choi worked at Systek Information Technology Limited (subsequently known as Acme Technologies (Hong Kong) Limited) with his last position being a project manager responsible for overall project management, and analysis and formerly training. Subsequently since May 2003, Mr. Choi has been a director of Transaction Technologies Limited (formerly known as Systek Financial Technology Limited), a company specialising in providing innovative financial services. Mr. Choi is also the chief architect who is mainly responsible for the overall strategic planning, sales and marketing, and research and product development. Mr. Choi obtained a Bachelor of Arts degree in Computing and a Master degree in Corporate Finance from the Hong Kong Polytechnic University in Hong Kong in November 1997 and December 2007, respectively, and a Master degree in Business Administration from The Chinese University of Hong Kong in Hong Kong in November 2016.

Mr. Cheung Ping Kwan Timothy (張聘君), aged 56, was appointed as our INED on 28 December 2017 and is mainly responsible for the supervision and provision of independent judgement to our Board. Mr. Cheung was admitted as a barrister of the Supreme Court of Hong Kong in August 1985 and a solicitor of the High Court of Hong Kong in July 2012. Mr. Cheung has over 28 years of experience in legal and regulatory matters, including having worked as a barrister practicing both criminal and civil laws and subsequently becoming a solicitor specialising in civil work. Mr. Cheung obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong in Hong Kong in November 1984 and in July 1985, respectively, and a Bachelor of Civil Law degree from the University of Oxford in England in August 1987.

Mr. Leung Wai Yin (梁偉賢), aged 42, was appointed as our INED on 28 December 2017 and is mainly responsible for the supervision and provision of independent judgement to our Board. From July 1998 to February 2002, Mr. Leung worked in Kindclock Limited, a company that manufactures watches, clocks and jewellery as well as electronic components for watches as an administrative executive and was in charge of the accounting, personnel and administrative departments at the factory in China. From April 2002 to August 2007, Mr. Leung worked in Mantex Supplies Company Limited with his last position being an assistant factory manager. Since March 2009, Mr. Leung has been working in JLA Asia Limited, a company that specialises in forensic accounting, insolvency management, transactional and turnaround services, with his current position as a senior manager. Mr. Leung has been a fellow of the Association of Chartered Certified Accountants since October 2011 and a member of the Hong Kong Institute of Certified Public Accountants since January 2016. Mr. Leung obtained a Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in Hong Kong in December 1998 and a Master of Science in Investment Management from the Hong Kong University of Science and Technology in Hong Kong in May 2009.

SENIOR MANAGEMENT

Ms. So Kit Lan (蘇潔蘭), aged 60, is the production manager of our Group and is mainly responsible for overseeing the general management and daily operation of the production department of our Group. Ms. So has over 30 years of experience in manufacturing and production of baby clothing and clothing accessories of infants and toddlers, She worked in Mansion Manufacturing Co., as the head of manufacturing from August 1986 to March 2002, In March 2002, Ms. So joined our Group as a production manager of Mantex Supplies Company Limited ("**Mantex Supplies**"). Since April 2016, Ms. So has been the general manager of the production department of Martex International Limited. Ms. So retired on 1 June 2018.

Ms. Lam Pik Shan Miran (林碧珊), aged 44, is the assistant company secretary of our Company and an accounting manager of Babies Trendyland Limited ("**Babies Trendyland**"). Ms. Lam is mainly responsible for overseeing the overall accounting affairs including the internal control and compliance as well as company secretarial matters of our Company. Ms. Lam has over 20 years of experience in accounting. Ms. Lam joined our Group in October 2009 as an accountant of Babies Trendyland Limited. From September 2013 to August 2014, Ms. Lam worked for Hop Lun (Hong Kong) Limited, a fashion service company that provides services including design development and manufacturing of lingerie, casual wear and swimwear, as a finance and accounting manager. Ms. Lam re-joined our Group in January 2015 as an assistant accounting manager. Since June 2016, Ms. Lam has been an accounting manager of Babies Trendyland Limited. Ms.Lam has been a member of the Association of Chartered Certified Accountants since March 2008.

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the Company's issued ordinary Shares were initially listed on GEM of the Stock Exchange on 26 January 2018 (the "**Listing Date**" and the "**Listing**", respectively), the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules was not applicable to the Company for the period from 1 April 2017 to 25 January 2018, being the date immediately before the Listing Date. The Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed below, has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 March 2018 (the "**Period**").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealings"). Each of them have confirmed that they have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 Mar 2018. No incident of non-compliance was noted by the Company during the year.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time. The management reports periodically the work and business decisions to the Board.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Director (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this Report, the Board comprises the following seven Directors, of which the INEDs in aggregate represent over 40% of the Board members:

Executive Directors
Ms. Fung Sau Ying ("**Ms. Fung**") *(Chairlady and Chief Executive Officer)*
Mr. Cheung Desmond Lap Wai ("**Mr. Desmond Cheung**") *(Chief Operating Officer)*
Ms. Ho Lai Ying ("**Ms. Ho**")

Non-executive Director
Ms. Luk Sau Kuen ("**Ms. Luk**")

INEDs
Mr. Choi Wing San Wilson ("**Mr. Choi**")
Mr. Cheung Ping Kwan Timothy ("**Mr. Timothy Cheung**")
Mr. Leung Wai Yin ("**Mr. Leung**")

The biographical details of each of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

Ms. Fung, the Chairlady, the CEO and an ED, is an aunt of Mr. Desmond Cheung, the COO and an ED, and Mr. Desmond Cheung is a nephew of Ms. Fung.

Save as disclosed above, there was no financial, business, family or other material relationship among the Directors during the Period and up to the date of this Report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules from the Listing Date to the date of this Report.

From the Company's financial year commencing on 1 April 2018 ("**Year 2018**"), the Chairlady, being the CEO and an ED an executive Director will at least annually hold one meeting with the INEDs without the presence of other executive Directors.

Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company.

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the GEM Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during FY2018 is summarised as follows:

Name of Directors	Type of trainings
Ms. Fung	A and B
Mr. Desmond Cheung	A and B
Ms. Ho	A and B
Ms. Luk	A and B
Mr. Choi	A and B
Mr. Timothy Cheung	A and B
Mr. Leung	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Meetings of the Board and Directors' Attendance Records

From Year 2018 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

During the Period, the Board held a meeting and, amongst other matters, considered and approved the unaudited consolidated financial results of the Group for the nine months ended 31 December 2017. Ms. Fung, Mr. Desmond Cheung, Ms. Ho, Ms. Luk, Mr. Choi, Mr. Timothy Cheung and Mr. Leung attended such meeting.

Thereafter, the Board held two meetings, including the one held on 22 June 2018, during which the Board, amongst other matters, considered and approved the audited Consolidated Financial Statements. Each of the Directors attended the Board meeting held on 22 June 2018.

During the Period, the Company did not hold any general meeting of the Shareholders.

Board Diversity Policy

During FY2018, the Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRLADY AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Fung is the Chairlady and the CEO. She is responsible for formulating the overall development strategies and business plans, including production development, and overseeing the general management and daily operation of the Group. In view of Ms. Fung's aforesaid responsibilities since June 2004, the Board believes that it is in the best interest of the Group to have Ms. Fung taking up both roles for effective management and business development. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of the INEDs. Further, the Audit Committee consists of the non-executive Director and two INEDs, and all of the INEDs have free and direct access to the Company's external auditors and independent professional advisers when they consider necessary.

In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairperson and CEO separately and to make appropriate changes if considered necessary.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at https://www.mansionintl.com. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in the annual report.

Audit Committee

The Audit Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises Ms. Luk, the non-executive Director, and Mr. Timothy Cheung and Mr. Leung, two of the INEDs. Mr. Leung is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and the Group's accounting policies, and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;

- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- assisting the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting;

- monitoring the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;

- reviewing the Company's financial controls;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;

- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- reporting to the Board on the matters in the provisions in the CG Code;

- ensuring the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting and financing reporting function;

- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

- formulating whistle-blowing policies and systems so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report concerns about any impropriety relating to the Company; and

- considering other topics as defined by the Board.

During the Period, the Audit Committee held a meeting and, amongst other matters, considered and approved for presentation to the Board for consideration and approval the draft unaudited consolidated financial results of the Group for the nine months ended 31 December 2017. Mr. Leung (chairman), Ms. Luk and Mr. Timothy Cheung attended such meeting.

Since 1 April 2018, the Audit Committee held two meetings, including a meeting held on 22 June 2018, during which it, amongst other matters, considered and approved for presentation to the Board for consideration and approval the draft audited Consolidated Financial Statements and audit-related matters. Each of the Directors who are the chairman or a member of the Audit Committee attended the Audit Committee meeting held on 22 June 2018.

Nomination Committee

The Nomination Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises Ms. Fung, the Chairlady, the CEO and an ED, Mr. Desmond Cheung, the COO and an ED, and all the INEDs, namely Mr. Choi, Mr. Timothy Cheung and Mr. Leung. Ms. Fung is the chairlady of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the INEDs;

- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairlady and the CEO; and

- developing and making recommendations to the Board the measurable objectives for achieving diversity on the Board and monitoring the progress on achieving those objectives.

The Nomination Committee held a meeting on 22 June 2018 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company ("**AGM**"). Each of the Directors who are the chairlady or members of the Nomination Committee attended the above meeting in the relevant capacity.

Remuneration Committee

The Remuneration Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises Ms. Luk, the non-executive Director and Mr. Choi and Mr. Leung, two of the INEDs. Mr. Choi is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on (i) the overall policy and structure for the remuneration of all Directors, senior management and general staff of the Group, and (ii) the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the EDs and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his/her own remuneration.

The Remuneration Committee held a meeting on 22 June 2018, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management. Each of the Directors who are the chairman or members of the Remuneration Committee attended the above meeting in the relevant capacity.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and the Group's employees; and
- reviewing the Company's compliance with the CG Code and disclosure in this Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the EDs has entered into a service agreement with the Company on 2 January 2018 for a fixed term of three years commencing on the Listing Date and will continue thereafter their re-appointment as directors at the AGMs until terminated by not less than three months' written notice by either party to the other party.

Each of the non-executive Directors (including the INEDs) has entered into an appointment letter with the Company for an initial term of three years commencing on the Listing Date subject to teams stipulated therein.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The particulars of the Directors' remuneration for FY2018 are set out in note 10 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) including the one whose particulars is contained in the section headed "Biographical Details of the Directors and Senior Management" in this annual report for FY2018 by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	2

INDEPENDENT AUDITOR'S REMUNERATION

BDO Limited ("**BDO**") was engaged as the Group's independent auditor for FY2018. Apart from the provision of annual audit services, BDO provided the audit and non-audit services in connection with the Listing.

The remuneration paid/payable to BDO in respect of FY2018 is set out below:

Services	Fee paid/ payable (in HK$)
Audit services – Annual audit	1,000,000
Audit services – Listing	1,800,000
Non-audit services – Tax advice	230,000
Total	3,030,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, BDO has stated in the independent auditor's report its reporting responsibilities on the Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is primarily responsible for overseeing the risk management and internal control systems and for reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Since the Listing Date, the Group's internal audit function will be performed an external CPA firm. The Company has engaged them as internal control consultant to review the Group's internal control system on an annual basis.

In preparation for the Listing, the Company had engaged an independent internal control adviser (the "**IC Adviser**") to perform a review of the procedure, system and control (including accounting and management systems) of the Group. Based on its internal control review, the IC Adviser recommended certain internal control improvement measures to the Group and the Group has adopted them.

Recently, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information must be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs and Authorised Representatives are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

The Company has appointed Mr. Cho Yee Chun ("**Mr. Cho**") as the Company Secretary with effect from 5 June 2017. Mr. Cho resigned as the Company Secretary with effect from 26 May 2018 and Mr. Kwok Siu Man ("**Mr. Kwok**") has been appointed as the Company Secretary with effect from the same date.

Mr. Cho received no less than 15 hours of relevant professional training during FY2018 pursuant to Rule 5.15 of the GEM Listing Rules.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Under section 566 of the Companies Ordinance, Cap 622 of the Laws of Hong Kong any one or more Shareholders holding at the date of deposit of the requisition not less than 5% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the headquarters and principal place of business of the Company in Hong Kong (presently at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar and transfer office in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within two months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such EGM, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings, share transfer/registration or notification of change of their correspondence address or dividend/distribution instructions to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Hong Kong at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong or by email to mansion@mansionintl.com for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the EDs;

2. the matters within a Board committee's area of responsibility to the chairman/chairlady of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

Except for the conditional adoption of the amended and restated memorandum and Articles of Association (the "**M&A**") by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 28 December 2017, which took effect from the Listing Date, there was no change in the constitutional documents of the Company during FY2018.

The amended and restated M&A is available on the respective websites of the Stock Exchange and the Company.

The Directors are pleased to present their report and the audited Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 34 to the Consolidated Financial Statements.

BUSINESS REVIEW AND OUTLOOK

Details of business review of the Group for FY2018 is set out in the section headed "Chairlady's Statement" on page 3 and the business review and outlook of the Group are set out in the section headed "Management Discussion and Analysis" on pages 4 to 6 of this annual report. Details of key performance indicators and the Group's achievement of business objectives are shown in the sections headed "Financial Summary" and "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for FY2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this annual report.

During FY2018 and prior to the Listing Date, our Company had declared a special dividend of HK$16,000,000 to Joyful Cat Limited ("Joyful Cat"), being the then sole shareholder of our Company, in which Ms. Fung holds 100% of its beneficial interest. Saved as disclosed above, the Board has resolved not to recommend the payment of any dividend for FY2018 (FY2017: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last three financial years is set out on page 100 of this annual report. This summary does not form part of the audited Consolidated Financial Statements.

SHARE CAPITAL

Details of the Company's paid up capital for FY2018 are set out in note 31 to the Consolidated Financial Statements.

RESERVES

Loss attributable to owners of the Company of approximately HK$3.2 million has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 47 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, there was sufficient public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase, sell such.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during FY2018 are set out in note 15 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2018, sales to the Group's five largest customers accounted for 57.7% of the Group's total sales for FY2018 and sales to the largest customer included therein amounted to 20.2%.

During FY2018, purchases from the Group's five largest suppliers accounted for 24.6% of the Group's total purchases for FY2018 and purchases from the Group's largest supplier included therein amounted to 9.2%.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DONATIONS

During FY2018, the charitable donation was made by the Group approximately HK$42,973 (FY2017: HK$31,000).

DIRECTORS

The Directors who held office during FY2018 and up to the date of this report are:

Executive Directors

Ms. Fung Sau Ying ("**Ms. Fung**") *(Chairlady and Chief Executive Officer)* (Appointed on 17 May 2017)
Mr. Cheung Desmond Lap Wai ("**Mr. Desmond Cheung**") *(Chief Operating Officer)* (Appointed on 17 May 2017)
Ms. Ho Lai Ying ("**Ms. Ho**") (Appointed on 17 May 2017)

Non-executive Director

Ms. Luk Sau Kuen ("**Ms. Luk**") (Appointed on 6 July 2017)

INEDs

Mr. Choi Wing San Wilson ("**Mr. Choi**") (Appointed on 28 December 2017)
Mr. Cheung Ping Kwan Timothy ("**Mr. Timothy Cheung**") (Appointed on 28 December 2017)
Mr. Leung Wai Yin ("**Mr. Leung**") (Appointed on 28 December 2017)

Article 83 (3) of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Article 84 of the Articles of Association provides that (1) one-third of the Directors for the time being (or, if their number is a not multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years; (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Each of Ms. Fung, Mr. Desmond Cheung, Ms. Ho, Ms. Luk, Mr. Choi, Mr. Timothy Cheung and Mr. Leung will retire at the AGM and all of them, being eligible, will offer themselves for re-election at the AGM.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 17 May 2017 for an initial fixed term of three years commencing on the Listing Date.

Each of the Non-executive Directors and the INEDs has entered into a letter of appointment with the Company on 17 May 2017 for an initial term of three years commencing on the Listing Date.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 7 to 8 of this annual report.

DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' Emoluments and the five individuals with the highest emoluments are set out in notes 10 and 11 to the Consolidated Financial Statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company or subsidiaries of fellow subsidiaries was a party, and in which a Director and his/her connected party had a material interest, whether directly or indirectly, subsisted at the end of FY2018 or at any time during FY2018.

COMPETING INTEREST

None of the Directors or the controlling Shareholder(s) or their respective associates (as defined under the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses as of the Group during FY2018 and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of Hong Kong Companies Ordinance when the Directors' Report prepared by the Directors is approved in accordance with section 391 of Hong Kong Companies Ordinance.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2018, the interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES

Name of Director/chief executive	Capacity/Nature of interest	Number of Shares/underlying Shares held/ interested	Percentage of the Company's issued Shares*
Ms. Fung	Interest of a controlled corporation	300,000,000 *(Note)*	75%

Note: These Shares are held by Joyful Cat. The entire issued share capital of Joyful Cat is legally and beneficially owned by Ms. Fung. Accordingly, Ms. Fung is deemed to be interested in all the Shares in which Joyful Cat is interested under Part XV of the SFO.

* The percentage represents the total number of the Shares and the number of underlying Shares interested divided by the number of issued Shares as at 31 March 2018 (i.e. 400,000,000 Shares).

LONG POSITION IN THE SHARE OF ASSOCIATED CORPORATION

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of Share Held	Percentage of shareholding
Ms. Fung	Joyful Cat *(Note)*	Beneficial owner	1	100%

Note: Joyful Cat is the direct Shareholder and is an associated corporation within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 March 2018, none of the Directors nor the chief executive of our Company had any interests and short positions in the Shares or underlying Shares and debentures of our Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, so far as is known to the Directors, other than the Directors and the chief executive of our Company, had interests or shorts positions in the Shares and underlying Shares as recorded in the register required to be kept by our Company under Section 336 of the SFO:

LONG POSITION IN THE SHARES

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held/ interested	Percentage of the Company's issued Share*
Joyful Cat *(Notes (1) and (2))*	Beneficial owner	300,000,000	75%

Notes:

(1) Joyful Cat is the direct Shareholder.

(2) Joyful Cat is legally and beneficially owned as to 100% by Ms. Fung.

* The percentage represents the number of Shares and the number of underlying Shares interested divided by the number of issued Shares as at 31 March 2018 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 March 2018, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of our Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register to be kept by our Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a new share option scheme (the "**Share Option Scheme**") on 28 December 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. During FY2018, the Company has no share options granted, exercised or cancelled.

Details of the Share Option Scheme is as follows:

1. *Purposes*

   The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group.

2. *Qualifying participants*

   The qualifying participants include any employee, executive or officer, Director (including executive, non-executive Director and INEDs) of the Company or any of its subsidiaries, and any invested entity, consultant, adviser or any invested entity.

3. *Maximum number of Shares*

   The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

4. *Maximum entitlement of each participant*

   The total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme (including both exercised or outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue for the time being (the "**Individual Limit**"). Any further grant of options to a participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his/her associates abstaining from voting. There is no minimum period required under the share Option Scheme for the holding of an option before it can be exercised.

5. *Option period*

   The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme which shall last until December 2027.

6. *Acceptance of offer*

   An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

7. *Subscription price for Shares*

   The subscription price for the Shares to be issued shall not be less than the highest of: (a) closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of opinions; and (c) the nominal value of a Share on the date of grant of options. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

8. *Rights are Personal to grantee*

   An option is personal to the grantee and shall not be transferable or assignable.

9. *Termination of the Share Option Scheme*

   The Company may by resolution in general meeting at any time terminate the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, during FY2018, the Group has complied with all the relevant laws and regulations that have a significant impact on the operations of the Group.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group is committed to protecting the environment and maintaining a high standard of corporate social governance. Details of the policies are set out in the section headed "Environmental, Social and Governance Report" from pages 28 to 39 of this annual report.

CORPORATE GOVERNANCE

The Company is committed to adopting corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 9 to 20 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee was established with effect from the Listing Date with written terms of reference in compliance with Rules 5.28 to and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control and risk management procedures of our Group.

As at 31 March 2018, the Audit Committee comprises two INEDs, namely Mr. Leung Wai Yin and Mr. Cheung Ping Kwan Timothy, and Ms. Luk Sau Kuen, a non-executive Director. Mr. Leung Wai Yin is the chairman of the Audit Committee.

The Consolidated Financial Statements and this report have been reviewed by the Audit Committee. No material issues were identified and reported by the Audit Committee to the Board.

INTERESTS OF COMPLIANCE ADVISER

As confirmed by our Group's compliance adviser, Alliance Capital Partners Limited (the "**Compliance Adviser**"), as at 31 March 2018 and up to the date of this report, save for the Compliance Adviser's agreement dated 12 July 2017 and entered into between our Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates had any interests in relation to our Company or any member of our Group (including interests in the securities of our Company or any member of our Group, and options or rights to subscribe for such securities), which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDITORS

The Consolidated Financial Statements have been audited by BDO Limited. There were no changes in auditors of the Company during the past three years.

By order of the Board
Mansion International Holdings Limited
Fung Sau Ying
Chairlady, Chief Executive Officer and Executive Director
Hong Kong, 22 June 2018

PREPARATION BASIS AND SCOPE

As a company based and served in Hong Kong, **Mansion International Holdings Limited** (thereafter "Group" or "We") is fully committed to environment protection, socially responsible and equipped with the strictest corporate governance. In pursuant to the requirement of the *Environmental, Social & Governance ("ESG") Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited*, the company has prepared this *2017-2018 ESG report*, covering business segments that the Group was engaged in the manufacture and sale of baby clothing and clothing accessories for infants and toddlers. Our principle business operation includes: (i) Original Equipment Manufacturing business directly to the overseas brand companies or designated sourcing companies mainly located in Hong Kong, UK and US; (ii) Original Brand Manufacturing business under the brand "mides" and complementary third-party brand products through our self-operated retail stores and department store counters in Hong Kong, and wholesale in Hong Kong, the PRC and Macao.

The scope of this report will cover the Group's initiatives on introducing the concept of ESG to its internal and external stakeholders, putting them into practices to its daily operations and disclosing results as a year-end summary over the year. It is also the intention of the management to provide an overview of the Group's direction in managing ESG related issues, driving for ESG initiatives throughout the Group, and communicating its ESG performance result with its stakeholders.

REPORTING BIUNDARY AND RERIOD

The reporting boundary of this report shall cover the operation activities throughout the Group, including operations in Hong Kong, the PRC and as well as its managed shops in Hong Kong.

The reporting period of this report shall cover the date from **1 April 2017 to 31 March 2018** (the "**Reporting Period**").

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please kindly send it to the Group through its communication channels.

ENVIRONMENT

Producing products that are safe for our consumers, whom are mostly infants and toddlers, thus, the Group aims to generate revenue for its shareholders, provide the best products and also as a socially responsible corporate. The Group's senior management had put environmental protection as one of the business priorities, and has established an *Environmental Policy*, emphasizing on best managing the Group's impacts to the local environment according to different parts of its operations.

Due to the regional coverage of the Group's business, it is important to manage environmental impacts attributable to its local operational activities to minimise these impacts if possible. The PRC subsidiary is operating in full compliance to the national and local environmental protections laws and regulation, including:

- the Environmental Protection Law of the PRC;
- the law of the PRC on the Prevention and Control of Water Pollution;
- the Law of the PRC on the Prevention and Control Atmospheric Pollution;
- the Law of the PRC on Prevention and Control of Environmental Noise Pollution;
- the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes;
- the Regulations on the Administration of Construction Project Environmental Protection; and
- the Regulations on the Collection and Use of Sewage Charges.

In summary, identified environmental issues the Group had involved, during the Reporting Period, mainly relating to electricity, diesel, gasoline, paper and water. The Group's business does not involve in the production-related air, water, or land pollutions, which are regulated under Hong Kong and the PRC laws and regulations, and thus is not exposed to any material impact in these aspects. In addition, the Group's internal environmental protection awareness programme consistently reminds and encourages its employees and clients to improve on environmental performance together.

Air Emission

The Group took the initiative to examine the issue of air emission across its operation, and as discussed, the result indicated no significant impact could be reported. Due to its business nature, the Group did not involve in any combustion process or industrial activities that could lead to direct air pollutant emission to the atmosphere.

However, our transportation and shipment team, whom are responsible for delivering our products to different locations, operates various vehicles and emit air pollution from its vehicle exhaust gas. The Group will continue monitoring its operation activities and ensuring its air emission maintained at this level and to disclose further information as changes occur.

Carbon Emission

Besides the effort in monitoring air pollutant emission, the Group is also exploring measures to reduce its indirect carbon emission, particularly on overall carbon footprint. As the first step, the Group estimated its carbon footprint, for FY2018, through aggregated items such as diesel, electricity petroleum consumption from our operation locations and calculations. The final result was then estimated with a third party provided conversion factor (carbon intensity factor) into a per-tonne figure for reporting purpose (electricity consumption and carbon intensity factor are available on the electricity bill and the sustainability report from electricity provider). With such information available, the Group look to further investigate and work with our employees and external stakeholders on enhancing the overall performance to minimize our carbon footprint. Further information and progress will be disclosed in the subsequent ESG report of the Group.

As a summary, and based on its diesel, electricity and petroleum consumption, the carbon footprint of the Group in FY2018 was 1,670 tCO2e.

Waste Management

As a socially responsible corporation that manufacture children products, the Group tries its best effort in managing wastes generation, minimize and handle with proper procedures. Our manufacturing operation procedure followed closely with our environmental policy, and was designed to:

- minimize our chemical consumption and emission during the operation, if any, to improve the overall manufacturing efficiency and ensure the well-being of our workers;
- avoid polluted chemical effluent emission from manufacturing or daily sewage, and ensure the compliance to local environmental standard;
- avoid noise pollution to the nearby neighbourhood; and
- avoid or minimize utilizing chemically materials that may present potential dangers to our customers.

The Group exerts additional attention to waste handling procedure, ensuring the safety of its employees and to the compliance of all applicable laws and regulation. Details are provided as below:

Hazardous Waste

Our Group stored wastes that are classified as "hazardous" separately in a well-ventilated storage location for collection. A registered waste handling company, the Zhongshan Baolv Industrial Solid Hazardous Waste Storage and Transportation Management Co., Ltd., is employed to perform regular collection of the Group's hazardous waste for further treatment.

In the Reporting Period, the Group generated a total sum of 870 Kg of hazardous waste. The Group will continue monitoring closely on reduction efforts and work diligently to ensure the proper treatment of its generated hazardous waste in the future.

Non-hazardous Waste

The Group's daily non-hazardous waste was collected, properly stored and picked up by the registered waste collection company regularly. Our Group also took the initiative to waste reduction by promoting reduction measures throughout the Group's operations by encouraging for reduction or the appropriate use of recycled paper in the workplaces. Waste reduction actions include:

- Encouraging computer-based administration procedures;
- Adopting to an electronic filing system;
- Using electronic communication channels for information sharing;
- Adopting to double-sided printing and photocopying; and
- Reusing paper that are used on one side for drafting, photocopying and fax deliveries.

As a summary, the Group has generated 540 kg of non-hazardous waste during the Reporting Period.

Use of Resources

As an environmental friendly corporation, the Group actively promotes green practices in all of premises, attempting to reduce its consumption on natural resources, and particularly on electricity and water consumption. Our Environmental Policy on resource consumption is constructed based on the "4Rs" strategy, which is to emphasis on "Replace, Reduce, Reuse and Recycle". Our employees are constantly reminded to implement 4Rs activities throughout the operation, and even working with supply chain partners to avoid wastages and reduce consumption.

Resources Conservation

The Group understands that its operation consumes a fair amount of natural resources, which can lead to significant impacts to the environment. With this in mind, the Group manages its consumption carefully, especially on electricity and water use, and tries to conserve and minimizes our consumption footprint.

Electricity

The Group works diligently with its employees to promote the 4Rs initiative, driving for efficient usage of electricity in its premises. Notices can be found in common areas and in working area on energy saving, and tips are provided through internal circulation to raise the awareness on energy conservation. Other initiatives implemented on energy saving were the followings:

- Adjusting air conditioners' temperature to 25.5°C;
- Switching off all electronic devices during lunch hours and when leaving office;
- Procuring equipment with proficient in energy label grade whenever its possible; and
- Setting computers on energy saving modes.

Diesel and Gasoline

The Group's products are available and sold all over the globe, and our transportation team is responsible for delivering products to differently locations diligently on time and safely. Vehicles, and particularly diesel-powered trucks and petroleum cars are utilized as the major transportation medium.

Fabrics Product Packaging

The Group owns an OEM factory operation in the PRC, manufacture children fabrics products, package and ship to branded-companies located in overseas and to our retails shops in Hong Kong. Plastic bags and small boxes are mostly utilized as packaging materials for shipping purposes, and working in line with our environmental policy, the team is advised to implement a "light but effective" package as much as possible to avoid wastage. The effort worked smoothly in the operation, and it was also well-received by our packaging line colleagues.

The Group will continue driving for efficient material use, monitor and improve its performance in the future.

Water

In addition to its effort on energy conservation, the Group was also working with employees on water conservation measures. Notices were posted to remind the staff to:

- Turn off tap after use;
- Avoid unnecessary flush;
- Perform regular maintenance on water taps; and
- Avoid water wastage in up flow water dispenser.

Further details on the Group's measures on energy and water reduction shall be disclosed in subsequent ESG report.

After a careful data collection process, our consolidated data on *Resource Consumption* in the Reporting Period indicated the following:

Consumption Item	Unit	
Electricity	kWh	2,369,608
Water	m^3	48,688
Steam	Ton	1,993
Paper	Pieces	861,500
Packaging	Pieces	5,356,376
Diesel	L	16,050
Petroleum	L	8,954
Electricity Consumption Intensity	kWh/unit sold	0.180
Water Consumption Intensity	m^3/unit sold	0.004
Packaging Consumption Intensity	Pieces/unit sold	0.023

Table 1. Group Total Consumption table

SOCIAL

Our business involves working with a large number of professionals. As one of the guiding principles, the Group uses its best endeavour offering the most competitive compensation to its staff, and treats all of its staff equally and fairly. The Group will monitor and improve in these areas as needed, and will continue our growth sustainably and in a socially responsible manner.

Employees

As a socially responsible company, the Group treats our employees as the most precious asset and be able to provide a safe and equal-working environment is one of our top priorities. The Group understands the success of a sustainable growth relying on the contributions and dedication from its employees, and thus instil a culture of professionalism throughout its operation. The Group's *Employee Handbook* clearly stated the employee conduct, working hours, communication channels with management, promotion and remuneration. The Group also employed a *Remuneration Policy*, stating that employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. The Group's senior management shall continue communicating with employees to ensure this culture can be implemented consistently in all levels of the Group.

Employment

The Group rewards its employees with competitive remuneration (including performance bonus), along with promotional opportunities, compensation and benefits packages to attract and to retain talents. Remuneration is determined with reference to the prevailing market condition as well as the competency, qualifications and experience of individual employee. Performance bonus will be paid to employees as a recognition of their contributions to the Group. Employees are entitled to MPF and medical insurance. Employees are also entitled to statutory holidays and different types of paid leave including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave and injury leave.

The Group always care about the employee and decide to optimize on employee's working period, as our Group enforced a flexi-hour working hours scheme to encourage colleagues to focus on a healthy work-life. In addition, policies on remuneration, benefits, training and occupational health and safety are regularly reviewed, and the Group employs an *Award and Penalty System*, under which employees with outstanding customer services are recognised and encouraged through awards on an annual basis. Disciplinary action, on the other hand, would be taken if an employee has committed an act of serious misconduct.

Remuneration Committee

To ensure the Group's remuneration scheme staying competitive, the Company had established the Remuneration Committee on 28 December 2017, with its role and function set out in specific written terms of reference in accordance with *paragraph B.1.2 of the CG Code*. The principal duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group. In addition, the committee shall ensure that none of our Directors or any of their associates determine their own remuneration. There are a total of three members in the Remuneration Committees, and namely Mr. CHOI Wing San Wilson, Ms. LUK Sau Kuen, and Mr. LEUNG Wai Yin, where Mr. CHOI Wing San Wilson acts as the Chairman of the committee.

The Remuneration Committee will meet regularly to review the policy for the remuneration of the Company, assess the performance, and recommend remuneration packages of executive directors and senior management of the Group.

Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (collectively, the "**Pension Scheme**") for all qualifying employees employed.

During the Reporting Period, total contributions paid or payable to the Pension scheme by the Group amounted to approximately HK$1.9 million which had been recognized as expenses and included in staff costs in the consolidated statement of comprehensive income.

The Company offered various social insurance benefits total at RMB4.9 million and provident fund at RMB0.1 million to the PRC staff during the Reporting Period and created a harmonious working environment.

Equal Opportunities, Diversity and Anti-Discrimination

The Group respects equal opportunities, adopting similar approach on employee conduct, recruitment, promotion, training and development, job advancement, compensation and benefits and all other aspects of employment practices. The Group's *Employee Handbook* states clearly that any action deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability or pregnancy shall all be prohibited. The Group has zero tolerance over any sexual harassment and discrimination behaviour, and employees found to be misconduct are subject to internal disciplinary action with no exception.

During FY2018, the Group complied with all relevant Hong Kong laws and regulations including but not limited to:

- The Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong); and
- The Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong).

Workforce Diversity and Distribution

Due to the nature of our business, female staff make up the majority of our workforce. Though, the Group appreciates the importance of cultural diversity and employs in a wide range of ages, genders, and ethnicities, as the Group understands diversity of employees provides a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues.

A summary of the Group's workforce adversity distribution can be found as below:

By March 2018	**Total No. of Employee**	**Gender**		**Type of Employment**	
		M	**F**	**Full-Time**	**Part-time**
PRC	863	147	716	863	0
HK	159	24	135	157	2
Overall	***1,022***	***171***	***851***	***1,020***	***2***

Table 2. Employees in Hong Kong by gender & employment type (as of 31 March 2018)

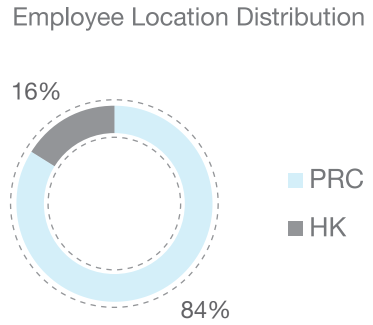
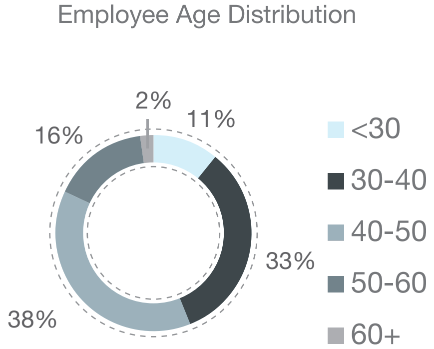


Chart 1. Employee location distribution (as of 31 March 2018)



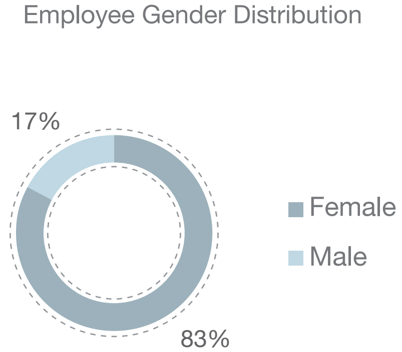


Chart 2. & 3. Employees age & gender distribution (as of 31 March 2018)

The majority of our employees were hired on a full-time basis, and part-time employees consist of less than 1% of our workforce. In addition, there were less than 0.4% employee resigned from the Group during the Reporting Period.

Occupational Health and Safety

The Group understands health and safety are major concern to our employees, and strives to provide a safe and healthy working environment while complies to relevant laws and regulations. The Group employed an *Environmental Operational Health and Safety policy*, maintaining a high occupational safety and health standard, ensuring a comfortable safe occupation workspace for our employees. Workspace health monitoring programme on Indoor Air Quality ("IAQ"), chemical substance consumption, and noise level were regularly performed to ensure a safe working environment. For example, our Group implemented a smoke-free environment in all of our premises, ensuring IAQ is maintained at the excellent level. The Group also appointed an Environmental Health and Safety officer ("EHS officer"), responsible for maintaining a clear communication between the senior management and the employees, monitoring the Group's EHS goals and standard, and the safety throughout the operation. The EHS officer also has the duty of avoiding any potential hazard that may cause during the operation, and the maintenance on safety equipment are regularly checked.

In summary, and during the Reporting Period, the Group had no material non-compliance breach with relevant standards, rules and regulations, and had no major accident encountered during operation. In addition, the Group recorded a total of 745 days of work-related sick leave taken by employees in the Reporting Period.

Labour Standards

The Group's Human Resources Department strictly abides by the *Labour Laws of Hong Kong* and implements a *Recruitment Guideline* throughout the recruitment process. The Group's stipulates in explicit terms within our labour contract, and provides a clear guideline on attendance system about working hours, rest and leave entitlement, labour protection and working conditions. Further information can be found in our *Employee Handbook*, which is distributed and available to all of our employees.

As a company that manufactures products for children, our Group is extra cautious on operation practices, avoiding any form of Child labor activity. Our Group prohibited any of such acts taking place in our Group to safeguard young children, and enforced preventive procedures during recruitment. As part of our recruitment procedure, our staff will require interviewee to present legal documents of identification as a proof of ages during the process. Our interviewer will also perform a face-to-face identification meeting, counter checking information provided to ensure our hired employee is at the indicated age as presented.

In addition, the Group offers a fair compensation to our employee, preventing any form of slavery or forced act of labor, and employees shall be paid fairly according to contributions provided. Periodic revision shall also be performed to keep the Group's remuneration level as competitive and fair for all level of employees.

As a result, and during FY2018, no child nor forced labour presented in the Group's operations, and the Group complied with all applicable labour standards related Hong Kong laws and regulations, including but not limited to the *Employment Ordinance (Cap. 57 of the Laws of Hong Kong)*.

Development and Training

Training and development forms an important part of the Group's human capital management strategy. It is valued as essential to the personal growth of employees, improving the Group's overall business performance.

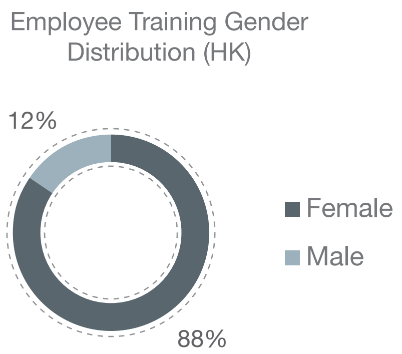
The Group's training programmes are designed that suits business needs and help employees to improve their knowledge and skill. An annual comprehensive training programme, tailor-made by the Human Resource department and the head of departments shall be proposed and approved by the management at the beginning of the year. Monthly revision will be performed to ensure programmes are properly implemented and the proposed progress are met. The head of the department shall report a summary report at the end of the year. In addition, new recruits are also required for an orientation training programme, and with the purpose of debriefing the company's policies, business and culture.

For the retail staff in Hong Kong, our orientation training programme is including customer service, daily operations in shop, inventory management and product order procedure.

A summary of our training programme provided according to genders can be found as below:

	Male	Female	Total (Number of staff trained)	Total (Hours)
HK	7	51	58	116
PRC	986	5,047	6,033	7,431

Table 3. Employee total training hours (as of 31 March 2018)



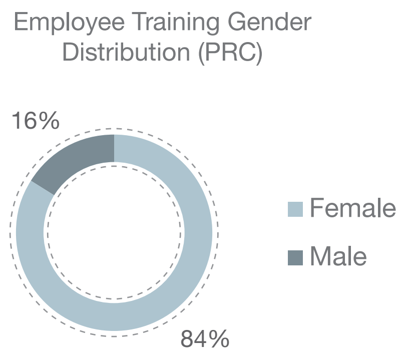


Chart 4. & 5. Employee trained according to genders (as of 31 March 2018)

Employees, Customers, Suppliers and Other Stakeholders

The Group values relationship with employees, customers and suppliers, and treats it as an important aspect of its business. The Group also maintains an open engagement channel with its employees through revision meetings, as it brings insight to its operation performance. It was proven to be effective in understanding the latest operation performance and to better the services. The Group is also dedicated to build a close working relationship with suppliers, and conducts regular performance revision and appraisal to build a closer working relationship with its clients.

The Group also believes effective communication should include a timely and accurate information disclosure. Not only it brings valuable information to the shareholders and investors, which is beneficial for investor relations, but also invites constructive feedback for perfecting the Group's operation.

The Group will continue its open communication approach, and it will sustain a successful long-term working relationship with its stakeholders in the future.

Supply Chain Management and Product Quality Control

The Group is highly attentive to its brand reputation and introduces the environmental value into the suppliers and sub-contractors procurement procedure, aiming to support environmental protection through habitat protection, bio-diversity, and other related environmental issues. Our procurement department ensures suppliers and sub-contractors comply with relevant local and international standards, and follow up with periodic performance assessment. Annual evaluation to be conducted on new and existing suppliers on product and service quality, and only approved suppliers and sub-contractors shall be added to our selected group of service providers for future cooperation.

Product Responsibility

As our product users are infants and toddlers, the Group pays extra attention to products safety, ensuring no chemical harmful materials shall be included in our raw material list or used during our production process. The Group stays strictly abides to all international laws and regulations and standards provided by our clients, and as listed as the followings:

- Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong);
- Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong);
- Toys and Children's Products Safety Ordinance (Chapter 424 of the Laws of Hong Kong);
- Toys and Children Product safety (additional Safety Standards or Requirements) Regulation (Chapter 424C of the Laws of Hong Kong); and
- Other relevant laws and regulations.

The Group will continue a close monitoring throughout the manufacturing process, enforcing the highest standards, and ensuring our products are safe and sound and as the perfect companion for children.

Protection of Copyright and Consumers Privacy

The Group takes all necessary actions to protect the copyright of brand owners and the privacy of our customers. All data management users from the Group are subjected to a list of terms and conditions on information collected and for business purpose only. The Group forbids unauthorised distribution of materials, and we reserve the right to take legal actions on violating parties. Should there be any issue of copyright matters, the Group encourages inquiries via email and our legal team will provide advices and follow-up where necessary.

The Group is not aware of any beach in law or regulation relating to *Consumer Data Protection and Privacy of the PRC and Hong Kong* in the Reporting Period.

Anti-Corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity and fairness as its core values. All directors and employees are required to strictly follow the *Code of Conduct and Staff Regulations* to prevent potential bribery, extortion, fraud and money laundering. The Group established a *Whistleblowing Procedure* to build a direct channel with the senior management, reporting on any form of non-compliance action.

During the Reporting Period, the Group was unware of any action of non-compliance to legal regulations and laws, relating to corruption, bribery, extortion, fraud and money laundering.

COMMUNITY

The Group understands the importance of its business is both bringing profit to Shareholders, and being socially responsible to care, serve and give back to our community wherever it is needed. The senior management consistently seek for opportunities to support social initiatives, and details of the Group's activities can be found in the following section.

Community Investment

The Group's donations reached and supported different organizations in wide aspects, both in Hong Kong and the PRC, and examples of its sponsoring organizations were the followings:

- A donation of 24 boxes of our baby and kid apparel products to Caritas Hong Kong;
- A donation contribution to Christian Action;
- A donation contribution to the Union of Difficulty Employees (union) 捐款困難職工(工會) in condolences on building military holiday for fire brigade消防大隊建軍節慰問金款;
- A donation of relief money for civilized community elderly during Chung Yeung Festival 文明社區重陽節老人慰問金; and
- A donation of relief money for Wulan community elderly during Chung Yeung Festival 吳欄社區重陽節老人慰問金.

The Group will continue its effort in supporting the communities and giving back to those that are in needs.

BDO

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永安中心25樓

TO THE SHAREHOLDERS OF MANSION INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Mansion International Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 44 to 99, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Net realisable value of inventories

Refer to notes 5(i) and 20 to the consolidated financial statements and the accounting policy on inventories as shown in note 4(e) to the consolidated financial statements.

The carrying amount of the Group's inventories as at 31 March 2018 was HK$65,887,000, and a written-down of inventories amounting to HK$294,000 was recognised in the Group's profit or loss for the year ended 31 March 2018.

In arriving at the carrying amount of the Group's inventories as at the year end and the amount of written-down of inventories during the year, management estimation on the net realisable value of inventories is required.

We have identified the net realisable value of inventories as a key audit matter because of the significance of the carrying amount of inventories; and because applying the Group's accounting policies in the net realisable value of inventories involves significant degree of estimation. Where the estimates of net realisable value exceed future selling prices or subsequent estimated net realisable value, a material written-down of inventories may arise.

How our audit addressed the key audit matter:

Our audit procedures were designed to challenge the application of the Group's accounting policy in relation to estimating the net realisable value of inventories as at 31 March 2018. These procedures included discussion with management on the accounting policy and procedures in respect of their review of written-down of inventories, analytical review procedures including analysis on the inventory turnover days and gross profit margin, and the following substantive procedures which were performed on a sampling basis:

— we observed the physical inventory count performed on the Group's inventories as at 31 March 2018 as part of the procedures for identifying obsolete or slowing moving inventories;

— we checked the ageing analysis of the Group's inventories which was used by management to identify those aged inventories with an indication of possible written-down of inventories;

— we checked the accuracy of the management calculation of written-down of inventory in accordance with the Group's accounting policy;

— we checked the net realisable value of inventories to supporting evidence such as sales invoices and sales orders which are subsequent to the year ended and representative of the subsequent selling prices of the inventories;

— we observed the physical condition of the long-aged unused raw materials;

— we checked the historical usage of long-aged raw materials during the year; and

— we checked the usage of raw materials and sale of finished goods subsequent to the year ended.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "**Audit Committee**") assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 22 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*6*	**265,768**	335,810
Cost of sales		**(144,337)**	(209,711)
Gross profit		**121,431**	126,099
Other income	*7*	**1,324**	3,131
Selling and distribution costs		**(40,829)**	(42,063)
Administrative and other expenses		**(65,025)**	(70,578)
Listing expenses		**(15,280)**	(2,129)
Finance costs	*8*	**(2,888)**	(2,216)
(Loss)/profit before tax	*9*	**(1,267)**	12,244
Income tax expenses	*12*	**(2,997)**	(1,975)
(Loss)/profit for the year		**(4,264)**	10,269
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets		**(1,812)**	–
Exchange differences on translation of financial statements of foreign operations		**2,841**	(2,381)
Other comprehensive income for the year		**1,029**	(2,381)
Total comprehensive income attributable to owners of the Company		**(3,235)**	7,888
(Loss)/earnings per share:			
Basic and diluted (HK cents)	*14*	**(1.3)**	3.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**15,219**	14,176
Land use rights	*16*	**963**	899
Deposits	*22*	**5,694**	5,142
Club debentures	*17*	**820**	820
Available-for-sale financial assets	*18*	**28,505**	—
Deferred tax assets	*19*	**929**	929
		52,130	21,966
Current assets			
Inventories	*20*	**65,887**	51,140
Trade receivables	*21*	**33,643**	24,266
Deposits, prepayments and other receivables	*22*	**5,041**	5,227
Amounts due from related companies	*23*	**—**	6,772
Amount due from a director	*23*	**—**	9,908
Cash and bank balances	*24*	**21,847**	26,714
		126,418	124,027
Current liabilities			
Trade and bills payables	*25*	**28,820**	35,553
Accruals and other payables	*26*	**12,083**	15,412
Amount due to a related company	*23*	**—**	1,548
Loan from a shareholder	*27*	**—**	10,000
Bank borrowings	*28*	**50,159**	36,095
Finance lease liabilities	*29*	**89**	213
Tax payables		**439**	1,419
		91,590	100,240
Net current assets		**34,828**	23,787
Total assets less current liabilities		**86,958**	45,753
Non-current liabilities			
Provision for long service payments		**812**	1,297
Finance lease liabilities	*29*	**70**	160
		882	1,457
Net assets		**86,076**	44,296

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	*31*	**4,000**	8
Reserves		**82,076**	44,288
Total equity		**86,076**	44,296

On behalf of the Board

Ms. Fung Sau Ying
Director

Mr. Cheung Desmond Lap Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital	Share premium	Capital reserve	Statutory reserve	Other reserve	Exchange reserve	Revaluation reserve	Retained profits	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 31)	*(Note a)*	*(Note b)*	*(Note c)*	*(Note d)*	*(Note e)*	*(Note f)*		
As at 1 April 2016	8	—	5,987	288	—	3,394	—	26,731	36,408
Profit for the year	—	—	—	—	—	—	—	10,269	10,269
Other comprehensive income:									
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(2,381)	—	—	(2,381)
Total comprehensive income for the year	—	—	—	—	—	(2,381)	—	10,269	7,888
As at 31 March 2017 and 1 April 2017	8	—	5,987	288	—	1,013	–	37,000	44,296
Loss for the year	—	—	—	—	—	—	—	(4,264)	(4,264)
Other comprehensive income:									
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(1,812)	—	(1,812)
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	2,841	—	—	2,841
Total comprehensive income for the year	—	—	—	—	—	2,841	(1,812)	(4,264)	(3,235)
Dividends recognised on distribution *(note 13)*	—	—	—	—	—	—	—	(16,000)	(16,000)
Arising on reorganisation	(8)	—	—	—	8	—	—	—	—
Capitalisation issue of shares	3,000	(3,000)	—	—	—	—	—	—	—
Issue of shares under public offer and placing	1,000	69,000	—	—	—	—	—	—	70,000
Share issue expenses	—	(8,985)	—	—	—	—	—	—	(8,985)
As at 31 March 2018	4,000	57,015	5,987	288	8	3,854	(1,812)	16,736	86,076

Notes:

(a) *Share premium*

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) *Capital reserve*

The capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.

(c) *Statutory reserve*

The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the People's Republic of China ("PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

(d) *Other reserve*

The other reserve of the Group represents the difference between the nominal value of the Company's issued shares, pursuant to the reorganisation and the nominal value of the share capital of a subsidiary.

(e) *Exchange reserve*

The exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(f) *Revaluation reserve*

The revaluation reserve comprises the change in the fair value of available-for-sale financial assets held at the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(1,267)**	12,244
Adjustments for:			
Bank interest income	*7*	**(7)**	(10)
Interest income of available-for-sale financial assets	*7*	**(195)**	—
Finance costs	*8*	**2,888**	2,216
Gain on disposal of property, plant and equipment	*9*	**(101)**	(45)
Depreciation of property, plant and equipment	*9*	**4,435**	4,542
Amortisation of land use rights	*9*	**31**	31
Written-down of inventories	*9*	**294**	—
Written off of property, plant and equipment	*9*	**424**	324
		6,502	19,302
(Increase)/decrease in inventories		**(15,041)**	16,338
Increase in trade receivables		**(9,377)**	(7,922)
Decrease/(increase) in deposits, prepayments and other receivables		**1,485**	(687)
Decrease in trade and bills payables		**(6,733)**	(9,030)
Decrease in provision for long service payments		**(485)**	—
Decrease in accruals and other payables		**(3,329)**	(1,182)
Cash (used in)/generated from operations		**(26,978)**	16,819
Income taxes paid		**(3,977)**	(3,966)
Net cash (used in)/generated from operating activities		**(30,955)**	12,853
Cash flows from investing activities			
Interest received		**202**	10
Purchases of property, plant and equipment		**(4,885)**	(3,894)
Proceeds from disposal of property, plant and equipment		**101**	52
Payment to acquire available-for-sale financial assets		**(32,168)**	—
Increase in amounts due from related companies		**—**	(439)
Net cash used in investing activities		**(36,750)**	(4,271)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Advances from a director		—	27,824
Decrease in amount due to a related company		—	(242)
Interest paid		(2,888)	(2,209)
Repayment of bank borrowings		(118,821)	(39,726)
Proceeds from bank borrowings		131,877	22,765
Repayments of obligations under finance leases		(218)	(640)
Dividend paid		(10,304)	—
Proceeds from issue of shares upon placing		70,000	—
Payment of new shares listing costs		(8,985)	—
Net cash generated from financing activities		60,661	7,772
Net (decrease)/increase in cash and cash equivalents		(7,044)	16,354
Cash and cash equivalents at the beginning of the year		26,714	12,176
Effect of exchange rate changes on cash and cash equivalents		2,177	(1,816)
Cash and cash equivalents at the end of the year	*24*	21,847	26,714

Non-cash transaction:
The principal non-cash transactions is dividend issued in note 37.

1. GENERAL

Mansion International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2017. Its issued shares are initially listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 January 2018 (the "Listing Date"). The Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the sale of baby and children garments.

In the opinion of the directors, the immediate and ultimate holding company is Joyful Cat Limited ("Joyful Cat"), a company incorporated in the British Virgin Islands ("BVI").

In connection with the Listing, the Company underwent a reorganisation (the "Reorganisation") and has become the holding company of its subsidiaries now comprising the Group since 23 June 2017 by way of share swaps. The share swaps had no substance and did not form a business combination. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 12 January 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 37.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these consolidated financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these consolidated financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 -2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 -2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 3	Business Combinations[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKAS 12	Income Tax[2]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 23	Borrowing Costs[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)—Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, except for HKFRS 9 Financial Instruments, HKFRS 15 Revenue from Contracts with Customers and HKFRS 16 Leases, the Group considers that other new and revised HKFRSs may result in changes in accounting policies but are unlikely to have material impact.

3. BASIS OF PREPARATION AND PRESENTATION

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for available-for-sale financial assets, which are measured at fair value as explained in the accounting policy set out in below.

(c) *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) *Subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

Substantive potential voting rights held by the Company and other parties who hold voting rights;

Other contractual arrangements; and

Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	10 to 20 years
Leasehold improvements	2 to 10 years or over terms of the lease whichever is shorter
Plant and machinery	3 to 5 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(d) Club debentures

Acquired club debentures are stated at historical cost less accumulated impairment losses, if any. They are measured at the fair value of the consideration given to acquire the club debenture at the time of the acquisition. The club debenture is tested annually for impairment.

(e) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Land use rights

Land use rights represent upfront payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over 50 years (the term of the lease/right to use).

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(h) *Financial instruments*

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit of loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, amount due to a related company, loan from a shareholder, bank borrowings and finance lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instrument*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(vii) *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) *Cash and bank balances*

Cash and bank balances comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can measured reliably.

Income from sale of consigned goods

Income from sale of consigned goods is recognised when consigned goods are sold and the related risks and rewards of ownership of the goods have been transferred to the customers.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of interest can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(k) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

(l) *Income taxes*

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current and future tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(m) Foreign currency

Transactions entered into by the Company in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(n) Research and development

Expenditure on research activities is recognised as an expenses in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(o) *Employee benefits*

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

The Group's net obligation in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; and that such future benefits is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

(p) *Impairment of non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- land use rights;
- club debentures; and
- investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(q) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Net realisable value of inventories

As at reporting date, the Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing net realisable value of the Group's inventories, an estimate of the reliable amount of the inventories on hand is performed by management based on the most reliable evidence available at the time the estimate is made. This represents the value of inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, of any inventory on hand that may be realised, directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year. The carrying amount of inventories is disclosed in note 20.

(ii) Estimated useful lives of property, plant and equipment

In assessing the estimated useful lives of the property, plant and equipment, the Group takes into account factors, such as the expected usage of the assets by the Group based on past experience, the technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgement based on the experience of the Group. The carrying amount of property, plant and equipment is disclosed in note 15.

(iii) Allowance for and written off of irrecoverable receivables

The Group's management determines the allowance for irrecoverable receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debtors are estimated. Management of the Group reassesses the estimations at the reporting date.

When the Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors. Any amount held in the allowance account in respect of those debtors is reversed.

The carrying amount of trade receivables is disclosed in note 21.

6. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the executive directors of the Company, who are the chief operating decision-maker, that are used to allocate resources and assess performance, which are analysed based on business.

Segment result represents the (loss)/profit before tax (incurred)/earned by each segment and excluding unallocated expenses and listing expenses. Unallocated expenses mainly included staff costs, repair and maintenance, telephone expenses, travelling expenses, advertising and promotion, motor vehicles expenses, office utilities and finance costs. This is the measure reported to the executive directors for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's turnover and results by business.

Year ended 31 March 2018	**Original Brand Manufacturing ("OBM")**	**Original Equipment Manufacturing ("OEM")**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
REVENUE			
External sales	**84,598**	**181,170**	**265,768**
RESULT			
Gross profit	**67,425**	**54,006**	**121,431**
Segment result	**13,604**	**22,509**	**36,113**
Listing expenses			**(15,280)**
Unallocated expenses			**(22,100)**
Loss before tax			**(1,267)**

Year ended 31 March 2017	OBM	OEM	Total
	HK$'000	HK$'000	HK$'000
REVENUE			
External sales	79,719	256,091	335,810
RESULT			
Gross profit	58,910	67,189	126,099
Segment result	7,940	27,755	35,695
Listing expenses			(2,129)
Unallocated expenses			(21,322)
Profit before tax			12,244

Information on segmental revenue and result is provided to the executive directors on a regular basis.

The Group's revenue from external customers are divided into the following geographical areas:

	2018 HK$'000	2017 HK$'000
PRC, Macau and Taiwan	**13,219**	5,674
Hong Kong ("HK")	**91,272**	86,909
United Kingdom ("UK")	**76,891**	144,420
United States of America ("USA")	**84,305**	98,807
Others	**81**	—
	265,768	335,810

The geographical analysis of revenue is based on the location of external customers.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

Revenue	2018 HK$'000	2017 HK$'000
Customer A	**53,710**	69,758
Customer B	**44,947**	42,140
Customer C	**29,338**	56,667
Customer D	**N/A**	65,224

Note: Customer A to Customer D generate revenue to the Group and are located in UK and USA. The revenue generated from Customer D is less than 10% of the Group's revenue for the year ended 31 March 2018.

Other segment information

The information of the Group's non-current assets by geographical location is detailed below:

	2018 HK$'000	2017 HK$'000
HK	**40,886**	11,383
PRC	**11,244**	10,583
	52,130	21,966

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**7**	10
Interest income of available-for-sale financial assets	**195**	—
Sundry income *(note)*	**1,051**	2,686
Exchange gain	**71**	435
	1,324	3,131

Note: It mainly comprised over-statement of provision of bonus and gain on disposal of property, plant and equipment.

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	**2,563**	1,911
Interest on a shareholder's loan	**320**	298
Interest on finance lease	**5**	7
	2,888	2,216

9. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Directors' remuneration *(note 10)*	**6,681**	8,215
Employee benefit expenses (excluding the directors' remuneration):		
Salaries, allowances and other benefits	**104,128**	115,810
Pension scheme contributions	**7,543**	7,221
Total staff costs	**118,352**	131,246
Auditor's remuneration	**1,000**	92
Amortisation of land use rights	**31**	31
Costs of inventories sold	**144,337**	209,711
Depreciation of property, plant and equipment	**4,435**	4,542
Gain on disposal of property, plant and equipment	**(101)**	(45)
Listing expenses	**15,280**	2,129
Minimum lease payments under operating leases recognised as an expense	**28,833**	28,526
Written off of property, plant and equipment	**424**	324
Written-down of inventories	**294**	—

10. DIRECTORS' REMUNERATION

Directors' remuneration during the year which was not included in the staff costs as disclosed in note 9 is as follows:

Year ended 31 March 2018	Fees, salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to pension plan HK$'000	Total HK$'000
Executive directors:				
Ms. Fung Sau Ying ("Ms Fung") *(notes (i) & (ii))*	**4,275**	**—**	**18**	**4,293**
Mr. Cheung Desmond Lap Wai *(note (ii))*	**983**	**—**	**18**	**1,001**
Ms. Ho Lai Ying *(note (ii))*	**1,149**	**—**	**18**	**1,167**
Non-executive director:				
Ms. Luk Sau Kuen *(note (iii))*	**55**	**—**	**—**	**55**
Independent non-executive directors:				
Mr. Choi Wing San, Wilson *(note (iv))*	**55**	**—**	**—**	**55**
Mr. Cheung Ping Kwan, Timothy *(note (iv))*	**55**	**—**	**—**	**55**
Mr. Leung Wai Yin *(note (iv))*	**55**	**—**	**—**	**55**
	6,627	**—**	**54**	**6,681**

Year ended 31 March 2017				
Executive directors:				
Ms. Fung *(note (i))*	5,480	367	18	5,865
Mr. Cheung Desmond Lap Wai	816	100	18	934
Ms. Ho Lai Ying	1,285	113	18	1,416
Non-executive director:				
Ms. Luk Sau Kuen	—	—	—	—
	7,581	580	54	8,215

Notes:

(i) Ms. Fung was entitled to housing allowance during the year ended 31 March 2018 was HK$1,440,000 (2017: HK$1,920,000), which was accounted for in the directors' remuneration.

(ii) Ms. Fung, Mr. Cheung Desmond Lap Wai and Ms. Ho Lai Ying were appointed on 17 May 2017.

(iii) Ms. Luk Sau Kuen was appointed on 6 July 2017.

(iv) Mr. Choi Wing San Wilson, Mr. Cheung Ping Kwan Timothy and Mr. Leung Wai Yin were appointed on 28 December 2017.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included three directors of the Company whose emoluments are disclosed in note 10 for the years ended 31 March 2018 and 2017. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and other benefits including bonus, if any	**1,649**	1,764
Pension scheme contributions	**36**	36
	1,685	1,800

The remuneration paid to each of the above non-director highest paid individuals for each of the reporting period fell within the following band:

	2018	2017
Nil to HK$1,000,000	**2**	2

During the years ended 31 March 2018 and 2017, no remuneration was paid by the Group to the directors of the Company or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSES

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	HK$'000	HK$'000
Current — Hong Kong profits tax		
– tax for the year	**1,252**	2,193
– (over)/under provision in respect of prior years	**(13)**	19
Current — PRC Enterprise Income Tax ("**EIT**")		
– tax for the year	**1,758**	692
	2,997	2,904
Deferred tax		
– current year *(note 19)*	**—**	(929)
Income tax expenses	**2,997**	1,975

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 March 2018 and 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the years ended 31 March 2018 and 2017.

In accordance with the China enterprise income tax law, EIT rates for domestic and foreign enterprises are unified at 25%.

As at 31 March 2018, the aggregate amount of temporary differences associated with the Group's PRC subsidiary's undistributed retained earnings, amounting to approximately HK$2,856,000 (equivalent to RMB2,447,000) (2017: Nil). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of this subsidiary and it is probable that such differences will not be reversed in the foreseeable future.

Under the Law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. No withholding income tax was recognised during the year as there are no dividends distributed by the PRC subsidiary within the Group.

A reconciliation of income tax expense applicable to (loss)/profit before income tax at the statutory tax rate to income tax expense at the effective tax rate is as follows:

	2018	2017
	HK$'000	HK$'000
(Loss)/profit before income tax	**(1,267)**	12,244
Tax on (loss)/profit before taxation, calculated at the rate applicable to profits in the tax jurisdictions concerned	**(209)**	2,020
Effect of different tax rates of subsidiaries operating in other jurisdictions	**727**	486
Effect of non-taxable revenue	**(558)**	(331)
Effect of non tax-deductible expenses *(note(i))*	**2,938**	1,321
(Over)/under provision in respect of prior years	**(13)**	19
Tax concession	**(60)**	(40)
Tax effect of temporary difference not recognised	**574**	242
Deferred tax expense relating to the origination and reversal of temporary difference	**—**	(929)
Utilisation of tax losses previously not recognised	**(402)**	(813)
Income tax expenses	**2,997**	1,975

Note (i): The amount comprised mainly listing expenses, certain disallowed production costs including cost of sales and bank interests.

No deferred tax asset has been recognised in respect of the unused tax losses amounting to approximately HK$1,608,000 (equivalent to RMB1,377,000) (2017: HK$3,252,000 (equivalent to RMB2,820,000)) due to the unpredictability of future profit streams.

13. DIVIDEND

During the year ended 31 March 2018 and prior to the Listing Date, the Company had declared a special dividend of HK$16,000,000 to Joyful Cat, being the sole shareholder of the Company, in which Ms. Fung, the Chairlady, the Chief Executive Officer and the Executive Director of the Company holds 100% of its beneficial interest.

Saved as disclosed above, the Group has resolved not to declare the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

(Loss)/earnings	**2018**	2017
(Loss)/earnings for the purposes of diluted earnings per share (HK$'000)	**(4,264)**	10,269
Number of share		
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**318,082,192**	300,000,000

For the year ended 31 March 2018, the calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK$4,264,000 and on the basis of the weighted average number of 318,082,192 ordinary shares in issue upon the subsequent listing of the Company's shares on 26 January 2018.

For the year ended 31 March 2017, the calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$10,629,000 and on the basis of 300,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the Reorganisation and the capitalisation issue (note 31(d)) as if these shares issued under the Reorganisation had been issued on 1 April 2016 but excluding any shares issued pursuant to the share offer (note 31(e)).

Diluted (loss)/earnings per share is same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2018 and 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
As at 1 April 2016	15,211	12,154	30,347	14,601	1,801	74,114
Additions	—	2,313	1,280	301	—	3,894
Disposal	—	—	—	(10)	(160)	(170)
Written off	—	(2,887)	(722)	(183)	—	(3,792)
Exchange realignment	(934)	(18)	(1,807)	(439)	(27)	(3,225)
As at 31 March 2017 and 1 April 2017	14,277	11,562	29,098	14,270	1,614	70,821
Additions	—	2,642	421	1,662	160	4,885
Disposal	—	—	—	(117)	(469)	(586)
Written off	—	(2,187)	—	(159)	—	(2,346)
Exchange realignment	1,542	59	3,043	753	43	5,440
As at 31 March 2018	**15,819**	**12,076**	**32,562**	**16,409**	**1,348**	**78,214**
Accumulated depreciation:						
As at 1 April 2016	13,324	8,056	23,203	12,518	1,220	58,321
Provided for the year	351	2,128	1,002	869	192	4,542
Disposal	—	—	—	(10)	(153)	(163)
Written off	—	(2,655)	(643)	(170)	—	(3,468)
Exchange realignment	(827)	—	(1,362)	(378)	(20)	(2,587)
As at 31 March 2017 and 1 April 2017	12,848	7,529	22,200	12,829	1,239	56,645
Provided for the year	192	2,356	907	806	174	4,435
Disposal	—	—	—	(117)	(469)	(586)
Written off	—	(1,763)	—	(159)	—	(1,922)
Exchange realignment	1,349	52	2,334	654	34	4,423
As at 31 March 2018	**14,389**	**8,174**	**25,441**	**14,013**	**978**	**62,995**
Net carrying amount:						
As at 31 March 2018	**1,430**	**3,902**	**7,121**	**2,396**	**370**	**15,219**
As at 31 March 2017	1,429	4,033	6,898	1,441	375	14,176

As at 31 March 2018 and 2017, a building in PRC with net carrying amount of approximately HK$1,124,201 (equivalent to RMB900,766) and HK$1,014,616 (equivalent to RMB900,766) respectively, were pledged to bank for banking facilities granted to the Group (note 28). As at 31 March 2018, the carrying amount of the Group's motor vehicles and plant and machinery at the amounts of HK$78,000 and HK$ nil respectively (2017: HK$196,000 and HK$1,182,000 respectively) is in respect of asset acquired under finance lease (note 29).

16. LAND USE RIGHTS

	HK$'000
Cost:	
As at 1 April 2016	1,606
Exchange realignment	(99)
As at 31 March 2017 and 1 April 2017	1,507
Exchange realignment	163
As at 31 March 2018	**1,670**
Accumulated amortisation:	
As at 1 April 2016	616
Amortisation charge during the year	31
Exchange realignment	(39)
As at 31 March 2017 and 1 April 2017	608
Amortisation charge during the year	31
Exchange realignment	68
As at 31 March 2018	**707**
Net carrying amount:	
As at 31 March 2018	**963**
As at 31 March 2017	899

17. CLUB DEBENTURES

	2018	2017
	HK$'000	HK$'000
Club debentures	**820**	820

As at 31 March 2018 and 2017, the club debentures are stated at cost less accumulated impairment losses, the directors of the Company considered that there was no impairment of the club debentures since the market price less costs to sell were higher than its carrying value.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

In 2018, the Group entered into a life insurance policy with an insurance company to insure a director of the Company. Under this policy, the beneficiary and policy holder are a subsidiary of the Company. The subsidiary has paid the total insurance premium with an aggregate amount of US$4,140,000 (equivalent to approximately HK$32,168,000) at the inception of the insurance. The subsidiary can terminate the policy at any time and receive back the money based on the surrender value of the contract at the date of withdrawal, which is determined by the insurance premium of the insurance policy plus the accumulated interest earned and minus the insurance costs (the "Surrender Value"). In addition, if the withdrawal is made between the first and fourteenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed fixed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Surrender Value of the contract of the first five years. Commencing from the sixth year, the guaranteed fixed interest will be reduced to 2.25% per annum.

As at 31 March 2018, the insurance premium was pledged to a bank to secure bank borrowing facility granted to the Group (note 28) (2017: Nil).

During the year ended 31 March 2018, HK$1,812,000 in respect of the fair value loss on available-for-sale financial assets was recognised in the consolidated statement of profit or loss and other comprehensive income (2017: Nil).

19. DEFERRED TAXATION

The following table is the analysis of the deferred tax balance for financial reporting purpose:

	2018	2017
	HK$'000	HK$'000
Deferred tax assets	**929**	929

The following table shows the deferred tax assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000
As at 1 April 2016	—
Charge to profit or loss *(note 12)*	929
As at 31 March 2017, 1 April 2017 and **31 March 2018**	**929**

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**20,870**	20,527
Work in progress	**20,503**	12,598
Finished goods	**24,514**	18,015
	65,887	51,140

Cost of inventories recognised as an expense includes a written-down of inventories of approximately HK$294,000 during the year ended 31 March 2018 (2017: Nil).

21. TRADE RECEIVABLES

The Group generally allows a credit policy ranging from 30 to 90 days to its trade receivables.

The following is an ageing analysis of trade receivables based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates:

	2018 HK$'000	2017 HK$'000
Within 30 days	**14,431**	20,290
31 days to 1 year	**19,208**	3,976
More than 1 year	**4**	—
	33,643	24,266

Management closely monitors the credit quality of trade receivables and considers trade receivables that are neither past due nor impaired are of good credit quality.

The following is an ageing analysis of trade receivables which are past due but not impaired:

	2018 HK$'000	2017 HK$'000
Not past due	**31,159**	20,888
Within 30 days	**1,903**	2,953
31 days to 1 year	**577**	425
More than 1 year	**4**	—
	33,643	24,266

The trade receivables were past due but the Group has not provided for impairment loss. These relate to a number of customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Non-current		
Deposits	**5,694**	5,142
Current		
Deposits	**2,356**	2,241
Prepayments *(note(i))*	**2,194**	2,815
Other receivables	**491**	171
	5,041	5,227

Note (i): The balance as at 31 March 2017 included the transaction costs of an equity transaction of HK$710,000.

23. AMOUNT(S) DUE FROM/(TO) A DIRECTOR AND RELATED COMPANIES

(i) *Amounts due from related companies*

The amounts were unsecured, interest-free and repayable on demand. The balances due from related companies had been settled on 31 August 2017.

Name of related parties	**Relationship**	**Nature**	**2018**	2017
			HK$'000	HK$'000
Mansion Corporate Limited	Related company controlled by Ms. Fung	Non-trade related	—	2
Friendley Limited	Related company controlled by Ms. Fung	Trade-related	—	6,724
Mansion Consultancy Limited	Related company controlled by Ms. Fung	Non-trade related	—	16
Alpha Leap Limited	Related company controlled by Ms. Fung	Non-trade related	—	1
Mently Limited	Related company controlled by Ms. Fung	Non-trade related	—	26
Mansion Manufacturing Industries Limited	Related company controlled by Ms. Fung	Non-trade related	—	3
			—	6,772

(ii) *Amount due from a director*

The amount was non-trade related, unsecured, interest-free and repayable on demand. The balance due from a director has been fully settled before listing.

(iii) *Amount due to a related company*

The amount was non-trade related, unsecured, interest-free and repayable on demand. The balance due to a related company has been settled on 31 August 2017.

24. CASH AND BANK BALANCES

	2018	2017
	HK$'000	HK$'000
Cash at banks	21,770	26,644
Cash in hand	77	70
	21,847	26,714

25. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables	11,052	19,813
Bills payables	17,768	15,740
	28,820	35,553

The following is an aged analysis of trade payables:

	2018	2017
	HK$'000	HK$'000
Within 30 days	8,067	9,310
31 days to 1 year	2,955	10,354
More than 1 year	30	149
	11,052	19,813

The Group's trade payables that are denominated in United States Dollars ("**USD**") and Renminbi ("**RMB**") and HK$, currency other than functional currency of the relevant group entities are set out below:

	2018	2017
	HK$'000	HK$'000
Denominated in USD	12	104
Denominated in RMB	28	897

26. ACCRUALS AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Other payables	631	2,752
Accrued expenses	11,452	12,660
	12,083	15,412

27. LOAN FROM A SHAREHOLDER

The amount was non-trade related, unsecured, interest bearing at 4% per annum and repayable on demand as at 31 March 2017. The loan from a shareholder had been fully settled before listing.

28. BANK BORROWINGS

	2018	2017
	HK$'000	HK$'000
Revolving loans *(notes i, ii, iii, vi and vii)*	**45,479**	32,632
Bills of exchange *(notes i and vi)*	**3,766**	3,463
Tax loans *(notes iv and v)*	**914**	—
	50,159	36,095

	2018	2017
	HK$'000	HK$'000
Secured bank loans repayable within a period of:		
Less than 1 year	**50,159**	36,095

Notes:

i. As at 31 March 2018, a revolving bank loan and bills of exchange of HK$15,000,000 and HK$3,766,000 respectively which were secured by:

(a) unlimited corporate guarantee from the Company; and

(b) charge over the deposits for HK$15,000,000 or its equivalent in other foreign currencies to be placed with the bank. In the event of the value of the foreign currency deposit charged to the bank falling below the required level and upon the bank's request, the Group should immediately pledge to the bank additional security acceptable to it to bring the value back to the threshold.

The secured revolving bank loan bore interest at 2.7% per annum over one, two, three or six months over Hong Kong Interbank Offered Rate ("HIBOR") and the limit for the drawdown of the revolving loan is HK$15,000,000.

ii. As at 31 March 2018, a revolving bank loan of HK$18,000,000 which was secured by:

(a) guarantee and indemnity of an unlimited amount (together with interest and other charges) provided by the Company for the account of an indirect wholly-owned subsidiary of the Company, Mantex Supplies Company Limited ("Mantex Supplies");

(b) guarantee and indemnity of HK$95,000,000 (together with interest and other charges) provided by an indirect wholly-owned subsidiary of the Company, Babies Trendyland Limited ("Babies Trendyland") for the account of Mantex Supplies;

(c) assignment of the life insurance of a director, Ms. Ho Lai Ying, with an insured sum of not less than USD9,000,000 (equivalent to approximately HK$69,750,000) provided by the policy holder and the beneficiary for the account of the Mantex Supplies and/or Babies Trendyland in favour of the Bank.

The secured revolving bank loan bore interest at 2.7% per annum over HIBOR and the limit for the drawdown of the revolving loan is HK$22,000,000.

iii. As at 31 March 2018 and 31 March 2017, a revolving bank loan of HK$12,479,000 and HK$5,632,000, respectively, (equivalent to RMB10,000,000 and RMB5,000,000 respectively) which was pledged of:

(a) pledge of a building (Note 15) and a land use rights (Note 16) owned by an indirect wholly-owned subsidiary of the Company, 中山美麗華兒童服裝製品有限公司 ("Mei Li Hua Children Garment Company Limited").

The secured revolving bank loan as at 31 March 2018 and 31 March 2017 bore interest at 1.355% per annum over Loan Prime Rate and the limit for the drawdown of the revolving loan is HK$12,479,000 and HK$5,632,000 respectively (equivalent to RMB10,000,000 and RMB5,000,000 respectively).

iv. As at 31 March 2018, a tax bank loan of HK$718,000 which bore interest at 2% per annum below Prime Rate and is repayable in monthly installments with the final installment due in 16 June 2018. The loan was secured by the securities as stated above in note ii(a) to ii(c) with the guarantee amount limited to HK$95,000,000.

v. As at 31 March 2018, a tax bank loan of HK$196,000 which was secured by:

(a) guarantee and indemnity of HK$10,000,000 (together with interest and other charges) provided by Mantex Supplies for the account of Babies Trendyland;

(b) guarantee and indemnity of an unlimited amount (together with interest and other charges) provided by the Company for the account of Babies Trendyland;

(c) assignment of the life insurance policy of a director, Ms Ho Lai Ying, with an insured sum of not less than USD9,000,000 (equivalent to approximately HK$69,750,000) provided by the policy holder and the beneficiary for the account of the Babies Trendyland and/or Mantex Supplies in favour of the bank.

The secured tax bank loan which bore interest at 2% per annum below Prime Rate and is repayable in monthly installments with the final installment due in 16 June 2018.

vi. As at 31 March 2017, a revolving bank loan and bills of exchange of HK$15,000,000 and HK$3,463,000 respectively which were secured by:

(a) unlimited corporate guarantee from a related company, Mansion Global Enterprise Limited;

(b) unlimited personal guarantee from Ms. Fung;

(c) unlimited guarantee from a related company, Mansion Corporate Limited;

(d) limited cross corporate guarantee of HK$120,000,000 (together with default interest and other costs and expenses) provided by Mantex Supplies and Babies Trendyland and a related company, Friendley Limited; and

(e) a charge over the deposits for HK$15,000,000 or its equivalent in other foreign currencies to be placed with the bank. In the event of the value of the foreign currency deposit charged to the bank falling below the required level and upon the bank's request, the Group should immediately pledge to the bank additional security acceptable to it to bring the value back to the threshold.

The secured revolving bank loan bore interest at 2.7% per annum over one, two, three or six months over HIBOR and the limit for drawdown of the revolving loan is HK$15,000,000.

vii. As at 31 March 2017, a revolving bank loan of HK$12,000,000 which was secured by:

(a) pledge of properties at Flat B and C, 8/F, Tower 16, Providence Peak, Tai Po, New Territories from a related company, Bestley Limited for the account of the subsidiaries, Mantex Supplies, Babies Trendyland and Martex International Limited ("Martex International");

(b) pledge of a property at No. 23 Mei Wo Circuit, Shatin, New Territories from a related company, Wiseley (Hong Kong) Limited for the account of the subsidiaries, Mantex Supplies, Babies Trendyland and Martex International;

(c) guarantee and indemnity of HK$95,000,000 (together with interest and other charges) provided by Ms Fung for the account of Mantex Supplies;

(d) guarantee and indemnity of HK$95,000,000 (together with interest and other charges) provided by a related company, Bestley Limited for the account of Mantex Supplies;

(e) guarantee and indemnity of HK$95,000,000 (together with interest and other charges) provided by a subsidiary, Babies Trendyland for the account of Mantex Supplies;

(f) guarantee and indemnity of HK$95,000,000 (together with interest and other charges) provided by a related company, Wiseley (Hong Kong) Limited for the account of Mantex Supplies;

(g) guarantee and indemnity of HK$95,000,000 (together with interest and other charges) provided by a subsidiary, Martex International for the account of Mantex Supplies;

(h) guarantee and indemnity of HK$25,000,000 (together with interest and other charges) provided by a subsidiary, Mantex Supplies for the account of Martex International;

(i) guarantee and indemnity of HK$25,000,000 (together with interest and other charges) provided by a subsidiary, Babies Trendyland for the account of Martex International;

(j) guarantee and indemnity of HK$25,000,000 (together with interest and other charges) provided by a related company, Wiseley (Hong Kong) Limited for the account of Martex International;

(k) guarantee and indemnity of HK$25,000,000 (together with interest and other charges) provided by a related company, Bestley Limited for the account of Martex International;

(l) guarantee and indemnity of HK$25,000,000 (together with interest and other charges) provided by Ms Fung for the account of Martex International;

The secured revolving bank loan bore interest at 2.7% per annum over HIBOR and the limit for the drawdown of the revolving loan is HK$22,000,000.

29. FINANCE LEASE LIABILITIES

(a) Total minimum lease payment are as follows:

	2018	2017
	HK$'000	HK$'000
Due within one year	95	223
Due in the second to fifth years	71	166
	166	389
Future finance charges on finance leases	(7)	(16)
Present value of finance lease liabilities	159	373

(b) The present value of finance lease liabilities are as follows:

	2018	2017
	HK$'000	HK$'000
Due within one year, included under current liabilities	89	213
Due in the second to fifth years, included under non-current liabilities	70	160
Present value of finance lease liabilities	159	373

The Group entered into certain finance leases for its motor vehicles (2017: finance leases for its motor vehicles and machines) with remaining lease terms of 1 to 2 years (2017: 1 to 3 years). Interest rates under the leases are fixed at rates at 4.73% (2017: 4.73%) per annum. These leases do not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amounts of the finance lease liabilities are denominated in HK$ and approximate to their fair values.

30. SHARE OPTION SCHEME

The Company have adopted a new share option scheme (the "**Share Option Scheme**") in 2018.

A summary of the principal terms of the Share Option Scheme is as follow:

1. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group.

2. Share Option Scheme can be granted to eligible participants of the Company, being any eligible employee, non-executive director (including independent non-executive director) of the Company or subsidiary; and any invested entity, advisers, consultants and any group classes of participants who contributed of the Company or growth of the Group.

3. The maximum number of shares of the Company may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the shares of the Company in issue from time to time.

4. Pursuant to the Share Option Scheme, the total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Scheme of the Group must not in aggregated exceed 10% of the shares of the Company on the day on which dealings in the shares first commence on the Stock Exchange.

5. The Share Option Scheme must be approved by any of director, chief executive and substantial shareholders of the Company, the total number of share issued and upon exercise of the option and granted under any other Share Option Scheme of the Group (including both exercised and outstanding options) shall not exceed 1% of the share of the Company in issue within 12 month period.

6. The period within which the option must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of the offer date of the options.

7. The subscription price for the shares of the Company to be issued shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date, (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the offer date granted; and (c) the number or nominal amount of the share of the Company on the date of grant.

For the year ended 31 March 2018, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

31. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
Upon incorporation *(note (a))*	38,000,000	380
Increase of authorised share *(note (b))*	1,962,000,000	19,620
As at 31 March 2017	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
Upon incorporation *(note (a))*	**1**	**—**
Allotment of shares *(note (c))*	**100**	**—**
Capitalisation issue of shares *(note (d))*	**299,999,899**	**3,000**
Issue of shares under share offer *(note (e))*	**100,000,000**	**1,000**
As at 31 March 2018	**400,000,000**	**4,000**

Notes:

(a) The Company was incorporated in the Cayman Islands on 17 May 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. On the same day, one subscriber share with a par value of HK$0.01 was allotted and issued as fully paid to the initial subscriber. On the same day, the said one share was transferred to Joyful Cat at par value of HK$0.01.

(b) On 28 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$20,000,000 divided in 2,000,000,000 shares of par value of HK$0.01 each by the creation of an additional of 1,962,000,000 shares.

(c) On 23 June 2017, Ms. Fung as vendor and the Company as purchaser entered into an agreement for sale and purchase, pursuant to which the Company acquired 1,000 shares in, representing the entire issued share capital of, Mansion Success Holdings Limited ("**Mansion Success**") from Ms. Fung at the consideration of HK$1. Ms Fung and the Company agreed to settle the consideration for the acquisition by the Company allotting and issuing 100 new shares, credited as fully paid, to Joyful Cat.

(d) Pursuant to the written resolutions passed on 28 December 2017, the directors were authorised to capitalise the amount of HK$2,999,998.99 from the share premium account of the Company by applying such sum towards the paying up in full at par a total of 299,999,899 shares for the allotment of shares to Joyful Cat.

(e) Under a share offer took place during the year, 100,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.70 per share for a total consideration (before share issuance expenses) of HK$70,000,000.

(f) Before the completion of the Reorganisation, the share capital balance in the consolidated statement of financial position as at 31 March 2017 represented the combined share capital of the entities now comprising the Group.

32. RESERVES

Details of the movements of the Group's reserves for the years ended 31 March 2018 and 2017 are presented in the consolidated statement of changes in equity. Movements on the Company's reserves are as follows:

The Company	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
As at 1 April 2017	—	—	—
Profit for the year	—	8,210	8,210
Dividends recognised on distribution	—	(16,000)	(16,000)
Arising on reorganisation	8	—	8
Issue of shares under public offer and placing *(note 31(e))*	69,000	—	69,000
Capitalisation issue of shares *(note 31(d))*	(3,000)	—	(3,000)
Share issuance expenses	(8,985)	—	(8,985)
As at 31 March 2018	**57,023**	**(7,790)**	**49,233**

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000
Non-current assets		
Investments in subsidiaries		8
		8
Current assets		
Other receivables		448
Amounts due from subsidiaries		53,542
Cash and bank balances		25
		54,015
Current liabilities		
Other payables		790
Amounts due to subsidiaries *(note)*		—
		790
Net current liabilities		53,225
Total assets less current liabilities		53,233
Net assets		53,233
Equity		
Equity attributable to owners of the Company		
Share capital	*31*	4,000
Reserves	*32*	49,233
Total equity		53,233

Note: The nominal value of the amounts due to subsidiaries is HK$1.

On behalf of the Board

Ms. Fung Sau Ying
Director

Mr. Cheung Desmond Lap Wai
Director

34. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2018 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Place of operation and principal activity	Issued ordinary share capital	Percentage of equity attributable to the Company	
				Directly	Indirectly
Mansion Success	Incorporated in BVI, limited liability company	HK Investment holding	US$1,000	100%	—
LFC Partners Limited	Incorporated in BVI, limited liability company	HK Investment holding	HK$1	100%	—
Mantex Supplies	Incorporated in HK, limited liability company	HK Wholesale of children wear	HK$694,000	—	100%
Martex International	Incorporated in HK, limited liability company	HK Investment holding	HK$1,009,900	—	100%
Babies Trendyland	Incorporated in HK, limited liability company	HK Trading of children wear	HK$1,000,000	—	100%
Mi'Des Associated Partners Limited	Incorporated in BVI, limited liability company	HK Inactive	US$2	—	100%
Mei Li Hua Children Garment Company Limited	Incorporated in PRC, limited liability company	PRC Manufacturing of children wear	RMB15,082,206	—	100%

35. LEASES

Operating leases – lessee

Future minimum rental payable under non-cancellable operating lease of the Group in respect of buildings at the end of each reporting period are as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**14,033**	15,933
Within two to five years	**12,648**	12,230
	26,681	28,163

The Group leases properties under operating leases. Leases are negotiated for terms ranging from 1 year to 5 years for the years ended 31 March 2018 and 2017.

Contingent rents, generally determined based on a percentage of revenue of the related shops, of approximately HK$21,980,000 and HK$21,107,000 for the Group have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2018 and 2017 respectively.

36. RELATED PARTY TRANSACTIONS

During the year and prior to the listing, the Group entered into the following transactions with related parties:

(i) Related party transactions

	2018	2017
	HK$'000	HK$'000
Interest of a shareholder's loan	**320**	298
Rent paid to a related company *(note (a))*	**1,440**	1,920

Notes:

(a) The above transactions with a related company, Wiseley (Hong Kong) Limited were carried out in the ordinary course of business and conducted of prices mutually agreed between the relevant parties. Wiseley (Hong Kong) Limited is held as to 50% by Ms. Fung and Ms. Luk Sau Kuen respectively.

(b) As at 31 March 2017, Ms. Fung had provided unlimited personal guarantee to banks to secure the banking facilities granted to the Group (note 28). As represented by the directors of the Company, the personal guarantee has been released and replaced by a corporate guarantee provided by the Company upon listing of the Company's shares on the GEM of the Stock Exchange.

(ii) Compensation of key management personnel

The emoluments of executive directors who are also identified as members of key management of the Group during the year are set out in note 10.

37. NOTES SUPPORTING CASH FLOW STATEMENT

Dividend issued:

During the year ended 31 March 2018, dividend was issued by the Company. The non-cash transaction amounted HK$5,132,000 has been settled through the current account with related companies, a director and a shareholder.

a) Cash and cash equivalent comprise:

	2018	2017
	HK$'000	HK$'000
Cash and bank balances	**21,847**	26,714

b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due from a director	Loan from a shareholder	Amount due to a related party	Bank borrowings	Finance lease liabilities	Dividend payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2017	(9,908)	10,000	1,548	36,095	373	—	38,108
Changes from cash flows:							
Proceeds from bank borrowings	—	—	—	131,877	—	—	131,877
Repayment of bank borrowings	—	—	—	(118,821)	—	—	(118,821)
Borrowing costs paid	—	(320)	—	(2,563)	—	—	(2,883)
Capital element of finance lease rentals paid	—	—	—	—	(218)	—	(218)
Interest element of finance lease rentals paid	—	—	—	—	(5)	—	(5)
Dividend paid	—	—	—	—	—	(10,304)	(10,304)
	—	(320)	—	10,493	(223)	(10,304)	(354)
Exchange adjustments:	—	—	—	1,008	4	(564)	448
Non-cash transactions:							
Dividend declared	9,908	(10,000)	(1,548)	—	—	10,868	9,228
Other changes:							
Interest expenses	—	320	—	2,563	5	—	2,888
As at 31 March 2018	**—**	**—**	**—**	**50,159**	**159**	**—**	**50,318**

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2018	2017
	HK$'000	HK$'000
Finance assets		
Available-for-sale financial assets	28,505	—
Loans and receivables:		
Trade receivables	33,643	24,266
Deposits and other receivables	8,541	7,554
Amount due from related companies	—	6,772
Amount due from a director	—	9,908
Cash and bank balances	21,847	26,714
	64,031	75,214
	92,536	75,214

	2018	2017
	HK$'000	HK$'000
Finance liabilities		
Measured at amortised cost:		
Trade and bills payables	28,820	35,553
Accruals and other payables	12,083	15,412
Amount due to a related company	—	1,548
Loan from a shareholder	—	10,000
Bank borrowings	50,159	36,095
Finance lease liabilities	159	373
	91,221	98,981

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of available-for-sale financial assets, cash and bank balances, trade and other receivables, deposits, amounts due from related companies, amount due from a director, trade and bills payables, accruals and other payables, amount due to a related company, loan from a shareholder, bank borrowings and finance lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of available-for-sale financial assets has been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market prices or rates. The valuation requires the directors of the Company to make estimates about the expected future cash flows from future proceeds when the investments mature. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the year.

Assets measured at fair value

As at 31 March 2018

	Fair value measurement using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Available-for-sale financial assets	—	28,505	—	28,505

The Group did not have any financial assets measured at fair value as at 31 March 2017.

For the years ended 31 March 2018 and 2017, there were no transfers of fair value measurements between level 1 and Level 2 and no transfers into or out of Level 3.

40. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments include interest rate risk, credit risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. The director of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk mainly arises on bank borrowings (note 28) which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

Sensitivity analysis

If the interest rates had been increased by 100 basis points at the beginning of the year and all other variables were held constant, the Group's (loss)/profit after tax and retained earnings would decrease by approximately HK$276,000 and HK$361,000 for the years ended 31 March 2018 and 2017 respectively. The assumed changes have no impact on the Group's and other components of equity.

The same percentage decrease in the interest rate would have the same magnitude on the Group's (loss)/profit after tax and retained earnings as shown above but of opposite effect, on the basis that all variables remain constant.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The sensitivity analysis included in the consolidated financial statements for the years ended 31 March 2018 and 2017 have been prepared on the same basis.

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 24.4% (2017: 11.5%) and 61.8% (2017: 79.2%) of the trade receivables was due from the Group's largest customer and the five largest customers respectively with the OBM and OEM businesses.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and bank balances generated from operations.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2018						
Non-derivatives:						
Trade and bills payables	28,820	28,820	28,820	—	—	—
Accruals and other payables	12,083	12,083	12,083	—	—	—
Bank borrowings	50,159	51,139	51,139	—	—	—
Finance lease liabilities	159	166	95	71	—	—
	91,221	92,208	92,137	71	—	—

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2017						
Non-derivatives:						
Trade and bills payables	35,553	35,553	35,553	—	—	—
Accruals and other payables	15,412	15,412	15,412	—	—	—
Amount due to a related company	1,548	1,548	1,548	—	—	—
Loan from a shareholder	10,000	10,000	10,000	—	—	—
Bank borrowings	36,095	41,877	41,877	—	—	—
Finance lease liabilities	373	389	223	166	—	—
	98,981	104,779	104,613	166	—	—

(iv) Foreign currency risk

The Group mainly operates in HK and the PRC and most of its business transactions, assets and liabilities are principally denominated in HK$, USD and RMB. Most of its sales proceeds were received in USD and HK$, and most of the purchases are conducted in HK$, USD and RMB. Most of its production costs, such as wages are incurred in RMB. HK$ is pegged with USD, thus foreign exchange exposure of USD is considered as minimal.

As at 31 March 2018 and 2017, if RMB had strengthened/weakened by 5% against HK$ with all other variable held constant, (loss)/profit for the years ended 31 March 2018 and 2017 would have been approximately HK$1,682,000 and HK$892,000 respectively, lower/higher, mainly as a result of foreign exchange losses/gains on translation of RMB denominated cash and bank balances, deposits, prepayments and other receivables, trade and bills payables and accruals and other payables.

41. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The capital structure of the Group consists of debts, which includes amount due to a related company, loan from a shareholder, bank borrowings, finance lease liabilities and equity attributable to owners of the Company. The Group's management regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratios of the Group at the end of each of the reporting periods are as follows:

	2018	2017
	HK$'000	HK$'000
Amount due to a related company	**—**	1,548
Loan from a shareholder	**—**	10,000
Bank borrowings	**50,159**	36,095
Finance lease liabilities	**159**	373
	50,318	48,016
Less: Cash and bank balances	**(21,847)**	(26,714)
Net debt	**28,471**	21,302
Equity attributable to owners of the Company	**86,076**	44,296
Debt to equity ratio	**33.1%**	48.1%

42. CONTINGENT LIABILITIES

At the end of reporting period, the Group did not have any significant contingent liabilities.

43. APPROVAL OF FINANCIAL STATEMENTS

The consolidation financial statements for the year ended 31 March 2018 were approved by the board of directors on 22 June 2018.

THREE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years are set out below.

CONSOLIDATED RESULTS

	Year ended 31 March		
	2018	2017	2016
	HKD'000	HKD'000	HKD'000
Revenue	**265,768**	335,810	409,765
(Loss)/Profit before taxation	**(1,267)**	12,244	15,907
Listing expenses	**15,280**	2,129	—
Adjusted profit before tax (excluding listing expenses)	**14,013**	14,373	—
Income tax expense	**(2,997)**	(1,975)	(4,736)
Net profit for the year (excluding listing expenses)	**11,016**	12,398	11,171
Net (loss)/profit from ordinary activities for the year	**(4,264)**	10,269	11,171

CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 March		
	2018	2017	2016
	HKD'000	HKD'000	HKD'000
Non-current assets	**52,130**	21,966	22,678
Current assets	**126,418**	124,027	139,670
Current liabilities	**(91,590)**	(100,240)	(124,262)
Net current assets	**34,828**	23,787	15,408
Non-current liabilities	**(882)**	(1,457)	(1,678)
Net assets	**86,076**	44,296	36,408